

JOHN WALSHE MURRAY (074823)  
DORIS A. KAE LIN (162069)  
THOMAS T. HWANG (218678)  
MURRAY & MURRAY  
A Professional Corporation  
19400 Stevens Creek Blvd., Suite 200  
Cupertino, CA 95014-2548  
Telephone: (650) 852-9000; (408) 907-9200  
Facsimile: (650) 852-9244  
Email: jwmurray@murraylaw.com  
Email: dkaelin@murraylaw.com  
Email: thwang@murraylaw.com

Attorneys for Debtors

**UNITED STATES BANKRUPTCY COURT**  
**NORTHERN DISTRICT OF CALIFORNIA**  
**SAN JOSE DIVISION**

In re:	)	Jointly Administered Chapter 11 Cases
	)	
	)	
<b>ATI LIQUIDATING, INC.,</b>	)	Case No. 09-54511-RLE-11
formerly known as	)	
Aviza Technology, Inc.,	)	
Employer's Tax ID No.: 20-1979646	)	
	)	
	)	
<b>AI LIQUIDATING, INC.,</b>	)	Case No. 09-54514-RLE-11
formerly known as Aviza, Inc.,	)	
Employer's Tax ID No.: 20-0249205	)	
	)	
	)	
<b>TTI LIQUIDATING, INC.,</b>	)	Case No. 09-54515-RLE-11
formerly known as	)	
Trikon Technologies, Inc.,	)	
Employer's Tax ID No.: 95-4054321	)	<b><u>Plan Confirmation Hearing</u></b>
	)	
	)	Date: April 8, 2010
	)	Time: 2:00 p.m.
Debtor(s).	)	Place: United States Bankruptcy Court
	)	280 S. First St., Room 3099
440 Kings Village Road	)	San Jose, CA 95113
Scotts Valley, CA 95066	)	Judge: Honorable Roger L. Efremsky

**DISCLOSURE STATEMENT**  
**FOR DEBTORS' JOINT PLAN OF LIQUIDATION**  
**(DATED MARCH 2, 2010)**

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ARTICLE I.

INTRODUCTION<sup>1</sup>

ATI Liquidating, Inc., formerly known as Aviza Technology, Inc. (“ATI”), AI Liquidating, Inc. formerly known as Aviza, Inc. (“Aviza”) and TTI Liquidating, Inc., formerly known as Trikon Technologies Inc. (“TTI” and collectively with ATI and Aviza, the “Debtors” or the “Company”), each are Delaware corporations which filed for bankruptcy protection under chapter 11 of the Bankruptcy Code on June 9, 2009. The Debtors hereby present their DISCLOSURE STATEMENT FOR DEBTORS’ JOINT PLAN OF LIQUIDATION (DATED MARCH 2, 2010) (the “Disclosure Statement”) in connection with the solicitation of acceptances of DEBTORS’ JOINT PLAN OF LIQUIDATION (DATED MARCH 2, 2010) (the “Plan”) and pursuant to the provisions of chapter 11 of the Bankruptcy Code.

**THIS DISCLOSURE STATEMENT CONTAINS INFORMATION CONCERNING YOUR CLAIMS OR INTERESTS. PLEASE READ THIS DOCUMENT WITH CARE. FOR THE CONVENIENCE OF CREDITORS AND EQUITY SECURITY HOLDERS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, BUT THE PLAN ITSELF CONTROLS OVER THIS SUMMARY. IF ANY INCONSISTENCIES EXIST BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING. NO REPRESENTATIONS CONCERNING THE DEBTOR, ITS FINANCIAL CONDITION OR ANY ASPECT OF THE PLAN ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.**

**THE FINANCIAL INFORMATION CONTAINED HEREIN, UNLESS OTHERWISE INDICATED, IS UNAUDITED. IN ADDITION, BECAUSE OF THE DEBTORS’ FINANCIAL DIFFICULTIES, THE INFORMATION CONTAINED HEREIN MAY BE INCOMPLETE OR INACCURATE. FOR THE FOREGOING REASONS, THE DEBTORS AND THEIR PROFESSIONALS ARE UNABLE TO WARRANT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY. HOWEVER, GREAT EFFORT HAS BEEN MADE TO ENSURE THAT ALL SUCH INFORMATION IS FAIRLY PRESENTED.**

**THE PROFESSIONALS REPRESENTING THE DEBTORS HAVE RELIED UPON INFORMATION PROVIDED BY THE DEBTORS IN CONNECTION WITH THE PREPARATION OF THIS DISCLOSURE STATEMENT AND HAVE NOT INDEPENDENTLY VERIFIED THE FACTUAL INFORMATION CONTAINED HEREIN. THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. YOU SHOULD CONSULT WITH YOUR OWN LEGAL COUNSEL AND ACCOUNTANT AS TO LEGAL, TAX AND RELATED MATTERS CONCERNING YOUR CLAIMS OR INTERESTS.**

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED OR DISAPPROVED THIS DISCLOSURE STATEMENT, OR DETERMINED IF IT IS TRUTHFUL OR COMPLETE.**

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<sup>1</sup> Terms not defined herein shall have the meaning ascribed to them in the DEBTORS’ JOINT PLAN OF LIQUIDATION (DATED MARCH 2, 2010).

1 ARTICLE II.

2 DEFINITIONS

3 All definitions contained in Article I of the Plan are incorporated herein by reference. Other  
4 terms are defined herein for convenience only.

5 ARTICLE III.

6 SUMMARY OF PLAN TREATMENT

7 3.1 The Chapter 11 Process.

8 Chapter 11 of the Bankruptcy Code contains numerous provisions, the general effect of  
9 which is to provide debtors with “breathing space” within which to propose a restructuring of their  
10 obligations to third parties. The filing of a chapter 11 bankruptcy petition creates a bankruptcy  
11 “estate” comprised of all of the property interests of the debtor. Unless a trustee is appointed by the  
12 Bankruptcy Court (no trustee has been appointed in these Cases), a debtor remains in possession and  
13 control of all of its assets as a “debtor in possession.” The debtor may continue to operate its  
14 business in the ordinary course without Bankruptcy Court approval. Bankruptcy Court approval is  
15 only required for various enumerated transactions (such as certain financing transactions) and  
16 transactions out of the ordinary course of a debtor’s business. The filing of the bankruptcy petition  
17 operates as an “automatic stay” which, generally, enjoins creditors from taking any action to collect  
18 or recover obligations owed by a debtor prior to the commencement of a chapter 11 case. The  
19 Bankruptcy Court can, however, grant relief from the automatic stay, under certain specified  
20 conditions or for cause.

21 A chapter 11 debtor may propose a plan providing for the reorganization of the debtor or, as  
22 the Debtors’ Plan contemplates, for the orderly liquidation and administration of the assets of the  
23 bankruptcy estates. A plan may either be consensual or non-consensual and provides, among other  
24 things, for the treatment of the claims of creditors and interests of equity holders.

25 3.2 Bankruptcy Filing.

26 The Debtors commenced their Chapter 11 Bankruptcy Cases on June 9, 2009. This  
27 Disclosure Statement and the accompanying Plan constitute the Debtors’ proposal for an orderly  
28 liquidation of the Debtors’ assets and Distribution of the Debtors’ cash on hand in accordance with

1 the relevant provisions of the Bankruptcy Code.

2                   3.3     **Voting Instructions.**

3             Article XI below provides instructions for voting on the Plan.

4                   3.4     **Confirmation Hearing.**

5             The Bankruptcy Court will be asked to schedule a hearing to consider confirmation  
6 (approval) of the Plan. Creditors and parties in interest will receive a notice accompanying this  
7 Disclosure Statement identifying the date, time and place of the Confirmation Hearing, and  
8 identifying the requirements for filing and serving objections, if any, to confirmation of the Plan.

9             The Confirmation Hearing may be adjourned from time to time without further notice except  
10 for the announcement of the adjournment date made at the Confirmation Hearing or any  
11 subsequently adjourned Confirmation Hearing.

12                   3.5     **Substantive Consolidation.**

13             The Plan provides for the consolidation of all assets and all liabilities of ATI, Aviza and TTI  
14 into a single Estate as of the Effective Date of the Plan, which is the first business day following the  
15 date on which the Order of Confirmation becomes a Final Order.<sup>2</sup> This means that, for purposes of  
16 Distributions to Creditors under the Plan, the Debtors will be considered to be a single, legal entity.  
17 The consolidated assets of each Debtor will be held by the Reorganized Debtors for liquidation by  
18 the Responsible Person and available for Distribution to all Creditors regardless of which Debtor  
19 was responsible for the debt in the first instance. Substantive consolidation will not affect the  
20 treatment afforded to the Banks' Allowed Secured Claim in the Plan and therefore will not affect the  
21 right of the Banks to be paid ahead of other creditors as provided by the Plan (provided that payment  
22 to the Banks shall be subject to the terms and conditions of the Cash Collateral Order and any further  
23 amendment, modification, revision and/or supplementation otherwise thereto as approved by further  
24 Court order(s) on the Debtors' or Reorganized Debtors' use of cash collateral).

25             The consolidation of the Estates eliminates any inter-company claims between the three (3)  
26 Debtors not previously cancelled as well as the guaranties of the obligations of one Debtor by either  
27 of the others. Consolidation also ensures that multiple and duplicative claims filed against more than

28                   <sup>2</sup> The Debtors estimate that the Effective Date will be the fifteenth day following the Confirmation Date.

1 one Debtor will not improperly receive more than one Distribution. In addition, Creditors of the  
2 consolidated Estates are combined for purposes of voting on the Plan. If the Bankruptcy Court  
3 confirms the Plan, then ATI, Aviza and TTI and their respective Estates will be substantively  
4 consolidated for purposes of classification and Distribution under the Plan.

5 The Debtors believe that substantive consolidation is appropriate in their Cases based on  
6 their belief that there may be sufficient cash to substantially pay Allowed Claims and potentially to  
7 pay Allowed Claims in full, and therefore, proposing a separate plan for each of the Debtors is  
8 unnecessary and would increase the cost and reduce the efficiency of providing Distributions to  
9 Creditors. In other words, if the Estates of ATI, Aviza and TTI were to be separately administered,  
10 three separate plans would have to be filed, and where duplicative Claims were filed against the  
11 entities, an objection would have to be filed as to those Claims. Additionally, as set forth in the  
12 NOTES TO SCHEDULES OF ASSETS AND LIABILITIES attached to the Schedules filed by ATI and Aviza,  
13 ATI is the parent corporation of Aviza, and TTI was formed as a result of a merger in December  
14 2005. Because Aviza was formerly known as and had previously conducted business as ATI, it  
15 continued to use the ATI name in many instances, in order to avoid confusion in the marketplace and  
16 maintain consistency with those parties with whom it did business. Consolidation of the Bankruptcy  
17 Cases will further enable the Debtors to identify those Creditors of ATI and Aviza who should  
18 rightfully be allowed Claims in the single, consolidated case and to distinguish duplicative and  
19 unsupported Claims.

20 In addition, ATI is an affiliate of Aviza and TTI, and owns 100 percent of the outstanding  
21 voting securities of Aviza and TTI. Aviza's and TTI's status as wholly-owned subsidiaries of ATI  
22 makes it practical to join their cases with ATI. The Company prepared consolidated financial  
23 statements for all of its subsidiaries. Aviza and ATI are co-borrowers under a certain Pre-Petition  
24 Secured Credit Facility (discussed below) from the Banks which provided, among other things, a  
25 line of credit for working capital purposes for all three companies.

26 The Banks do not have a security interest in TTI's assets which assets include interests in a  
27 direct European subsidiary and other indirect foreign subsidiaries. With the exception of potentially  
28 one unsecured Claim in the nominal amount of \$669.67, the Debtors do not believe that TTI has any

1 distinct Creditors (i.e., Creditors who are actual Creditors of TTI as opposed to Creditors of Aviza  
2 and/or ATI). In addition to that Claim, as of the date of this Disclosure Statement, only one other  
3 distinct Proof of Claim – a Tax Claim in the amount of \$2,558.99 - has been filed against TTI,  
4 but the Debtors believe it has already been satisfied, and therefore it will be withdrawn or disputed.  
5 Three additional Proofs of Claim were filed against TTI, and each of those was also asserted  
6 identically against both ATI and Aviza. The Debtors therefore believe that these Proofs of Claim  
7 were intended to be Claims asserted against the Company as a single unit. Accordingly, the Debtors  
8 believe the potential adverse impact of substantive consolidation to be minimal at most. However,  
9 to the extent any Creditors do hold an Allowed Claim solely against TTI, those Creditors may  
10 receive less as a result of the substantive consolidation of TTI with ATI and Aviza pursuant to the  
11 Plan than they would if the Estates were not substantively consolidated. In other words, if general  
12 unsecured Creditors of the consolidated Estates ultimately receive less than a 100% Distribution,  
13 those Persons with valid Claims solely against TTI will likely receive less than they would have  
14 received from TTI in the absence of substantive consolidation.

15 Administration of one of the Bankruptcy Cases will affect the other two. Substantive  
16 consolidation of the Bankruptcy Cases will facilitate the efficient administration of the Bankruptcy  
17 Estates and avoid unnecessary duplication of work performed.

18 Based upon the facts in this case, the Debtors believe that substantive consolidation is in the  
19 best interest of the Creditor body as a whole.

### 20 3.6 **Means of Implementation of the Plan.**

21 Following a hearing on September 29, 2009 (the “Sale Hearing”), the Bankruptcy Court  
22 approved the sale (the “Sale”) of certain of the assets of the Debtors, and the assets and stock of  
23 certain of their direct and indirect subsidiaries, to Sumitomo Precision Products, Inc. (“SPP” or the  
24 “Purchaser”) (the approved Sale to SPP is hereinafter referred to as the “Purchase Transaction”).  
25 The Purchase Transaction closed on October 16, 2009. The consideration, valued by the Debtors at  
26 approximately \$60.0 million, included cash, certain promissory notes and the assumption of certain  
27 liabilities. The Debtors’ Plan will be implemented by distributing cash received from the promissory  
28 notes (see discussion at Subsection 7.8.2 below), liquidation of the Debtors’ remaining assets (see

summary at Section 7.5 below), and the wind down and upstreaming of cash by direct and indirect subsidiaries of ATI to the Debtors.

After payment of or reserve for asserted Secured Claims, the balance of the proceeds from the Purchase Transaction (the “Sale Proceeds”) and from the liquidation of the Debtors’ remaining assets will be used to pay Allowed Claims pursuant to the priorities of the Bankruptcy Code as provided in the Plan.

### 3.7 Specific Treatment.

A summary of the treatment of the various Classes of Claims and Interests is set forth below:

Claims/Interests	Treatment
Administrative Claims	Estimated Administrative Claims are included in the Cash Collateral Budget. Except to the extent that the holder of a particular Administrative Claim has agreed to a different treatment of such Claim, each holder of an Allowed Administrative Claim will be paid in cash, in full upon the later of (a) the Effective Date; (b) if such Claim is initially a Disputed Claim or an order of the Court is required prior to any payment, upon the ultimate allowance of such Claim by a Final Order of the Bankruptcy Court; and (c) if such Claim is incurred after the Petition Date in the ordinary course of the Debtors’ business, within such time as payment is due pursuant to the terms giving rise to such Claim. The Effective Date will be the first business day following the date on which the Order of Confirmation becomes a Final Order.
Tax Claims	Except to the extent that the holder of a particular Tax Claim has agreed to a different treatment of such Claim, after payment in full of (a) the Allowed Secured Claim of the Banks; (b) other Allowed Secured Claims, if any, or reservation otherwise for such Allowed Secured Claims, to the extent of the lien on the particular collateral underlying such lien; and (c) all Allowed Priority Claims, each holder of an Allowed Tax Claim will receive a cash payment equal to the Allowed Amount of such Claim plus interest on such Allowed Claim at the rate of interest determined under applicable non-bankruptcy law pursuant to Bankruptcy Code Section 511, from the Petition Date through the date of payment in full; provided that (a) no such payment will be made longer than five (5) years from the Petition Date, and (b) no holder of an Allowed Tax Claim will be treated in a manner less favorable than any Allowed Claim in Class 9. With respect only to Allowed Claims based on accrued real property taxes

Claims/Interests	Treatment
Class 1: Secured Claim of the Banks	<p>assessed against and secured by the Scotts Valley Property, such Claims will not be paid until such property is sold.</p> <p>The holder of the Allowed Claim of the Banks, to the extent such Allowed Claim constitutes a Secured Claim, will be paid in cash. The Allowed Secured Claim of the Banks will be paid as soon as reasonably practicable, up to the Allowed Amount of such Claim. The Banks' security interests shall remain subject to any lien or security interest that is now senior or prior to the Banks' security interests under applicable law. Any Allowed Claim held by the holder of such Allowed Secured Claim remaining after giving effect to the foregoing treatment will be treated as part of Class 9.</p>
Class 2: Secured Claim of ESI	<p>The holder of the Allowed Claim of ESI, to the extent such Allowed Claim constitutes a Secured Claim, will receive either: (a) the net proceeds from the sale of the Scotts Valley Property at the time of such sale or as soon thereafter as practicable, up to the unpaid Allowed Amount of such Claim and to the same extent, priority and validity of the lien securing such Allowed Claim; or (b) such other less favorable treatment as shall be agreed to by the Reorganized Debtor and the holder of such Secured Claim. Any Allowed Claim held by the holder of such Allowed Secured Claim remaining after giving effect to the foregoing treatment will be treated as part of Class 9.</p>
Class 3: Secured Claim of Iron Mountain	<p>Except to the extent the holder of the Allowed Claim of Iron Mountain agrees to a less favorable treatment, the Plan leaves unaltered the legal, equitable, and contractual rights of the holder of the Allowed Claim of Iron Mountain, to the extent such Allowed Claim constitutes a Secured Claim, including the retention of any lien to the extent not avoidable. Any Allowed Claim held by the holder of such Allowed Secured Claim remaining after giving effect to the foregoing treatment will be treated as part of Class 9.</p>
Class 4: Other Secured Claims	<p>Class 4 consists of any other holders of Allowed Secured Claims (each of which will be in its own subclass under Class 4). Each holder of an Allowed Class 4 Secured Claim, to the extent there are any such Allowed Class 4 Secured Claims, will receive on the Effective Date, at the Reorganized Debtors' option: (a) the net proceeds from the sale of its collateral at the time of such sale or as soon thereafter as practicable, up to the unpaid Allowed Amount of such Claim and to the same extent, priority and validity of the lien securing such Allowed Claim; (b) the return of its</p>

1 Claims/Interests	Treatment
	collateral; or (c) such other less favorable treatment as may be agreed to by the Reorganized Debtors and the holder of such Secured Claim. Any Allowed Claim held by the holder of such Allowed Secured Claim remaining after giving effect to the foregoing treatment will be treated as part of Class 9.
Classes 5 & 6: Employee Priority Claims	Except to the extent that the holder of a particular Priority Claim entitled to priority under Sections 507(a) (4) and (5) of the Bankruptcy Code has agreed to a different treatment of such Claim, each holder of such Claim will receive, as soon as reasonably practicable after payment in full of (a) the Banks' Allowed Secured Claim, and (b) other Allowed Secured Claims, if any, or reservation otherwise for such Allowed Secured Claims, to the extent of the lien on the particular collateral underlying such lien, deferred cash payments of a value equal to the allowed amount of such Claim plus interest calculated at the Legal Rate from the Petition Date through the date of payment in full.
Class 7: Top Hat Claims	The holders of Allowed Class 7 Claims will retain their rights under the Top Hat Plan and treatment of such Claims will be as afforded under the Top Hat Plan. Distributions made from the Top Hat Funds, if any, will be subject to the Reorganized Debtors' withholding and payment of applicable federal and state withholding income tax amounts to the appropriate taxing authorities (as required).
Class 8: Administrative Convenience Claims	Class 8 consists of Claims which are (a) Allowed Timely Filed Unsecured Claims of \$1,000 or less against the Company whose holders elect treatment under Class 8, or (b) Allowed Timely Filed Unsecured Claims greater than \$1,000 whose holders elect treatment under Class 8 and agree to reduce their respective Allowed Claims to \$1,000. As soon as reasonably practicable after payment in full of Allowed Claims in Classes 1 through 6, each holder of a Class 8 Allowed Administrative Convenience Claim will receive a single cash payment in the amount of 50% of its Allowed Claim, not to exceed \$500.00, which payment will be in full and final satisfaction of each respective Class 8 Claim.
Class 9: Timely Filed Unsecured Claims	After payment in full of Allowed Claims in Classes 1 through 6 and 8, and payment or reserve for the Liquidation Incentive Accruals, each holder of a Class 9 Allowed Timely Filed Unsecured Claim will receive its Pro Rata share of Available Cash, if any, pursuant to one or more Distributions until the depletion of Available Cash or payment in full. In addition, if the Allowed Claims in Class 10 are paid in full, then each holder of an Allowed Claim in Class 9 will receive



1 ARTICLE IV.

2 THE BANKRUPTCY FILING

3 On June 9, 2009 (the "Petition Date"), the Debtors filed their respective Voluntary Petitions  
4 under chapter 11 of the Bankruptcy Code. Presently, the Debtors are operating as debtors in  
5 possession pursuant to the provisions of Bankruptcy Code §§ 1107 and 1108. An Official  
6 Committee of Unsecured Creditors (the "Creditors' Committee") was appointed in the Bankruptcy  
7 Cases on June 23, 2009. The individuals initially identified by the members are listed:

8 ASML  
9 8555 S. River Parkway  
10 Tempe, AZ 85284-2601  
Attn: David Kim

11 Armanino McKenna LLP  
12 12667 Alcosta Blvd., Ste 500  
San Ramon, CA 94583  
Attn: Matthew Chavez

13 Genmark Automation  
14 1201 Cadillac Court  
Milpitas, CA 95035  
15 Attn: Ronald H. Adolphson

16 The Creditors' Committee's counsel is as follows:

17 Robert G. Harris, Esq.  
18 Binder & Malter LLP  
2775 Park Avenue  
19 Santa Clara, CA 95050  
Tel: (408) 295-1700  
20 Email: Rob@bindermalter.com

21 ARTICLE V.

22 HISTORY AND PRESENT POSTURE OF THE CASE

23 5.1 History and Description of the Business.

24 The Company is headquartered in Scotts Valley, California. Prior to the closing of the  
25 Purchase Transaction, the Company designed, manufactured, sold and supported advanced  
26 semiconductor capital equipment and process technologies for the global semiconductor industry  
27 and related markets. The Company's customer base was geographically diverse and included both  
28 integrated device manufacturers and foundry based manufacturers. The Company had a broad

1 installed base with approximately 2,500 systems installed worldwide. The Company operates its  
2 manufacturing, sales and support through directly and indirectly wholly owned subsidiaries in the  
3 United States, the United Kingdom, France, Germany, South Korea, Japan, Malaysia, Singapore,  
4 Taiwan, Peoples Republic of China and Israel. Following the Purchase Transaction, the Debtors  
5 changed their names to “ATI Liquidating, Inc.,” “AI Liquidating, Inc.” and “TTI Liquidating, Inc.,”  
6 respectively.

## 7 5.2 **Events Precipitating the Bankruptcy Filing.**

8 ATI was a publicly traded company whose stock was traded on the Nasdaq Global Market  
9 under the symbol “AVZA.” As of February 1, 2010, ATI had 21,859,389 shares of its common  
10 stock outstanding, held by approximately 3,000 stockholders. ATI is a holding company whose sole  
11 assets consist of shares of stock in Aviza and Trikon, its wholly-owned subsidiaries. As of the  
12 Petition Date, there were a total of 22 corporate entities in the Aviza family. Due to the filing of the  
13 Bankruptcy Cases, the Nasdaq Stock Market suspended trading of ATI’s common stock on June 19,  
14 2009 and subsequently delisted the stock in September 2009. Presently, the stock is traded only on  
15 the “pink sheets.”

16 The Company’s consolidated balance sheet for the fiscal quarter ending December 26, 2008  
17 lists assets of \$89,365,000, liabilities of \$69,022,000 and stockholder’s equity of \$20,343,000. The  
18 Company lost \$47,364,000 on sales of \$133,189,000 in the fiscal year ending September 26, 2008.  
19 The Company’s forecasts for the second quarter of fiscal 2009 were predicated on continued  
20 weakness in customer demand. The Debtors estimate that net sales for the second quarter of fiscal  
21 2009 were in the range of \$9.5 million to \$11.0 million, with an adjusted net loss in the range of \$5.0  
22 million to \$6.0 million, excluding restructuring charges estimated in the range of \$9.0 million to  
23 \$10.0 million.

24 On April 13, 2007, ATI and Aviza entered into a LOAN AND SECURITY AGREEMENT and  
25 related documents (collectively, the “Loan Agreement”) with United Commercial Bank, East West  
26 Bank and ChinaTrust Bank (USA) (collectively defined in the Plan as the “Banks”) for a credit  
27 facility (the “Pre-Petition Secured Credit Facility”) pursuant to which the Banks provided credit up  
28 to approximately \$55.0 million under a revolving line of credit (the “Revolving Facility”), an

1 equipment term loan and a real property term loan (the “Real Property Loan”). As of the Petition  
2 Date, ATI and Aviza owed the Banks approximately \$28.5 million, on the respective notes  
3 evidencing the Revolving Facility and the Real Property Loan. These obligations (the “Pre-Petition  
4 Secured Obligations”) are secured by the assets of ATI and Aviza, but not the assets of TTI or any  
5 other directly or indirectly owned subsidiary. On May 20, 2009, the Banks sent a letter to the  
6 Company declaring certain provisions of the Loan Agreement to be in default, accelerating the  
7 balance due, demanding payment in full of the Pre-Petition Secured Obligations and advising of  
8 their intent to exercise their rights and remedies.

9 Without access to the Pre-Petition Secured Credit Facility, the Company would have been  
10 unable to operate in the long-term. Prior to the Petition Date, the semiconductor industry  
11 experienced severe instability. The National Bureau of Economic Research declared that the United  
12 States entered into a recession in December of 2007 and has remained there since. On November  
13 20, 2008, the Company engaged the investment banking firm of Needham & Company, LLC  
14 (“Needham”) to assist it in exploring opportunities to sell the Company and/or raise additional equity  
15 investment. As the months progressed, it became clear that the only salvation for the Company was  
16 a sale of its assets, including the stock or assets of some of its directly or indirectly owned  
17 subsidiaries. The continuing rapid decline in new orders and sales being experienced industry-wide  
18 coupled with the Banks’ demands precipitated the Debtors’ filings of their Voluntary Petitions  
19 commencing the instant Chapter 11 Bankruptcy Cases.

### 20 5.3 Significant Events During The Bankruptcy Cases.

#### 21 5.3.1 Use of Cash Collateral.

22 Since the Petition Date, the Debtors have been authorized to utilize cash collateral in  
23 accordance with budgets approved by the Banks and Orders entered in the Bankruptcy Case. The  
24 most recent such order entered on November 20, 2009 is the Cash Collateral Order. The Cash  
25 Collateral Order sets forth the terms of the Debtors’ use of cash collateral and authorizes the Debtors  
26 to use cash collateral pursuant to a budget (i.e., the Cash Collateral Budget) through December 2010.  
27 A copy of the Cash Collateral Budget is attached hereto as **Exhibit “A.”** The Cash Collateral  
28 Budget may be subject to, and shall include, further amendment, modification, revision and/or

1 supplementation otherwise as approved by further Court order(s) on the Debtors' or Reorganized  
2 Debtors' use of cash collateral. The Debtors reserve the right to move the Bankruptcy Court after  
3 the Confirmation Date for further use of cash collateral or to rule on and resolve any issues related to  
4 the Reorganized Debtors' use of cash collateral post-Confirmation. Access to cash collateral  
5 enabled the Debtors to maintain their operations through the closing of the Purchase Transaction and  
6 will subsequently enable the Debtors to manage the Bankruptcy Cases, administer and liquidate the  
7 Estates, wind down and dissolve their subsidiaries, and monitor and manage the collection of the  
8 Sale Proceeds.

9       Additionally, the Banks have agreed in connection with the Debtors' use of cash collateral to  
10 subordinate the Banks' Claims to the payment of certain professional fees. Specifically, the Cash  
11 Collateral Order provides, *inter alia*, that (1) in the event any of the Debtors' or the Committee's  
12 Professionals are not in the Cash Collateral Budget, or exceed their budgeted amounts, they may be  
13 paid from cash collateral held by the Debtors in such amounts as allowed by the Court; and (2) all  
14 Claims of the Banks whether arising on, before or after the Petition Date, and all liens securing such  
15 claims, shall be subordinated to the payment of the following: (i) all statutory fees of the Court and  
16 the United States Trustee; (ii) the expenses of the Committee members not to exceed in the  
17 aggregate \$2,500 per month; (iii) allowed fees and expenses of the Debtors' and the Committee's  
18 professionals; and (iv) the compensation and expense reimbursement (other than professional fees  
19 and expenses) of a trustee in any superseding Chapter 7 case.

### 20                               **5.3.2     The SPP Purchase Transaction.**

21       A summary of the Purchase Transaction was previously provided to Creditors, stockholders  
22 and other parties in interest in connection with the Debtors' proposed sale to SPP and is as follows:  
23 Pursuant to the Purchase Agreement with SPP, SPP proposed to purchase certain assets of the  
24 Debtors including those assets related to its system, service, parts, spares and upgrade businesses for  
25 batch thermal products and technologies, atmospheric-pressure chemical vapor deposition products  
26 and technologies, physical vapor deposition products and technologies, chemical vapor deposition  
27 products and technologies, and plasma etch products and technologies, as well as its service, parts,  
28 spares and upgrade business for atomic layer deposition products and technologies (all as described

1 more fully in the Purchase Agreement, the “Purchased Assets”). In addition, SPP’s proposal under  
2 the Purchase Agreement contemplated the assumption of certain liabilities of the Debtors’ including  
3 certain executory contracts and unexpired leases and the obligations thereunder (the “Assumed  
4 Liabilities”).

5 The purchase price (the “Purchase Price”) under the Purchase Agreement was comprised of  
6 the following three (3) components: (1) \$15.0 million of cash subject to certain limited  
7 adjustments<sup>3</sup>; (2) a secured recourse promissory note with a maturity date of April 16, 2011 and with  
8 an aggregate principal amount of \$10.0 million and (3) a secured non-recourse promissory note with  
9 a maturity date of April 16, 2011 that had an initial aggregate principal amount of approximately  
10 \$28.7 million, based upon the inventory and accounts receivable value.<sup>4</sup> The non-recourse  
11 promissory note will be payable upon the sale of inventory and collection of accounts receivable that  
12 are identified as part of the Purchased Assets.

13 On September 30, 2009, the Court entered the Sale Order, approving the Purchase  
14 Transaction to SPP based on the terms and conditions of the Purchase Agreement. The Purchase  
15 Transaction closed on October 16, 2009 (the “Closing”). The Purchase Price was allocated among  
16 the Debtors and certain of their subsidiaries as follows: Approximately \$5 million in cash to the  
17 Debtors and \$10 million to their subsidiaries, and approximately \$16 million from the promissory  
18 notes to the Debtors and \$23 million to their subsidiaries.

19 The Debtors are in the process of winding down and closing their subsidiaries, and funds  
20 remaining after payment to the subsidiaries’ creditors and payment on closure obligations ultimately  
21 will be upstreamed to the Debtors’ Estates. Based on the cash paid to the Debtors at the Closing,  
22 and as authorized by the Bankruptcy Court, the Debtors paid (a) the cure amounts owed to the  
23 counterparties whose executory contracts were assumed and assigned to SPP in connection with the  
24 Purchase Transaction, (b) fees and expenses incurred by Needham for its services related to the Sale

25  
26 <sup>3</sup> The \$15.0 million of cash was reduced by the value at closing of the Debtors’ warranty obligations that were  
27 assumed by SPP, the amount of customer deposits and prepayments related to the Purchased Assets, the proration of  
28 certain taxes between the Debtors and SPP, and the amount by which the operating liabilities assumed by SPP exceed  
\$5.0 million, and was increased by the value of certain vendor deposits and prepayments to a net amount of \$15.7  
million.

<sup>4</sup> The promissory notes are described in greater detail below in Subsection 7.8.2.

1 (totaling \$611,147), and (c) as of November 2009, approximately \$10.2 million to the Banks on  
2 account of the Banks' Secured Claim.

3 The Debtors estimate that the gross proceeds from the Purchase Transaction ultimately may  
4 aggregate to as much as \$60.0 million. However, such amount may be less depending on certain  
5 adjustments to the Purchase Price as provided for by the Purchase Agreement and based on the  
6 amounts actually paid and collected under the promissory notes over their 18-month maturity term,  
7 as detailed below in Subsection 7.8.2.

8 The Debtors presently are focused on the collection of the proceeds of the Purchase  
9 Transaction, the liquidation of their remaining assets, and the wind down and closing of their  
10 subsidiaries and subsequent upstreaming of assets to the Debtors as set forth in the Plan. Given the  
11 nature of the Purchased Assets, all final proceeds from the Purchase Transaction may not be realized  
12 until 2011 which will influence the timing of Distributions under the Plan. The Debtors' current  
13 estimate is that the Banks' Secured Claim will be paid in full by September 2010. This is an  
14 estimate only based on information available to the Company as of the date of this Disclosure  
15 Statement. Once the Banks' Secured Claim is paid in full, Available Cash will be distributed to  
16 unsecured Creditors as provided by the Plan. Thus, based on this preliminary estimate, the earliest  
17 date that a preliminary Distribution might occur to general unsecured Class 8 and Class 9 Creditors  
18 is the last quarter of 2010. The time by which the Plan will be fully performed and final  
19 Distributions are made to general unsecured Creditors is currently unknown but projected to occur  
20 within 2 to 3 years. As discussed herein, the promissory notes issued in connection with the SPP  
21 Purchase Transaction do not mature until April 16, 2011. The Plan also provides for the wind down  
22 and closure of the Debtors' subsidiaries with the upstreaming of cash on account of the Debtors'  
23 stock interest in such subsidiaries. The subsidiaries located in other countries are subject to that  
24 jurisdiction's legal requirements for the wind down and closure of a company. Accordingly, the  
25 Debtors estimate for the timetable by which the Plan will be fully consummated is qualified and  
26 highly uncertain. So long as the Cases remain in chapter 11, however, the Debtors are required to  
27 and will file quarterly reports with the Bankruptcy Court which will provide updates on the status of  
28 the Debtors' liquidation efforts, among other reporting matters. The Creditors' Committee and its

counsel will also remain in place for the duration of the Plan (until such time as Creditors are paid in full) and may be contacted with any questions that you may have about the Cases or this Disclosure Statement. Further information, including contact information, regarding the Creditors' Committee and its counsel is set forth at Article IV.

### **5.3.3 The Low-K Patents Transaction.**

Also at the Sale Hearing, the Debtors conducted a Court-supervised auction wherein the Debtors sold certain components of their Low-K Patent portfolio. Following the auction at the Sale Hearing, the Bankruptcy Court approved the sale of the Low-K Patents to Applied Materials, Inc. ("AMAT") (the approved sale of the Low-K Patents is hereinafter referred to as the "Low-K Patents Transaction," as defined in the Plan).<sup>5</sup> The Low-K Patents Transaction closed on October 16, 2009. As consideration for its purchase of the Low-K Patents, AMAT paid \$1.1 million. Pursuant to the ORDER GRANTING DEBTORS MOTION TO HOLD AN AUCTION TO SELL CERTAIN ADDITIONAL ASSETS FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND OTHER INTERESTS (the "Low-K Patents Order") entered on October 15, 2009, the Debtors paid the net proceeds of the Low K Patents Transaction (net of the actual and necessary costs and expenses directly related to such sales, and a proportional share for the Debtors' subsidiaries) in the amount of \$1.09 million, directly to the Banks in partial payment of the Banks' Allowed Secured Claim.

### **5.3.4 Excess Equipment Sales.**

On October 30, 2009, the Court entered its ORDER AFTER HEARING ON MOTION FOR ORDER: (1) APPROVING CERTAIN PROTOCOLS FOR THE SALE OF CERTAIN FIXED ASSETS AND EQUIPMENT; (2) AUTHORIZING DEBTOR TO SELL CERTAIN ASSETS FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS; AND (3) AUTHORIZING DEBTOR TO ABANDON PERSONAL PROPERTY OF INCONSEQUENTIAL VALUE AND BENEFIT TO ESTATES (defined in the Plan as the "Excess Equipment Order") authorizing the Debtors to sell<sup>6</sup> any and all of certain miscellaneous fixed assets via one or more direct, private sales (the "Excess Equipment Sales" and collectively with the

<sup>5</sup> The Low-K Patents were sold free and clear of all liens, claims, encumbrances and other interests, with any such liens, claims, encumbrances or interests to attach to the proceeds received thereof.

<sup>6</sup> The Excess Equipment Order provides that such sales shall be free and clear of all liens, claims, encumbrances and other interests, with any such liens, claims, encumbrances or interests to attach to the proceeds received thereof.

1 Purchase Transaction and the Low-K Patents Transaction, the “Sales Transactions,” as defined in the  
2 Plan), without need for further Court order, upon such terms as the Debtors determine are reasonable  
3 in the exercise of their business judgment. Pursuant to the Excess Equipment Order, all the proceeds  
4 from the Excess Equipment Sales will be paid to the Banks after a deduction for all actual and  
5 necessary expenses incurred directly in relation to such sales. As of February 4, 2010, the Debtors  
6 have generated \$131,800 in proceeds from the Excess Equipment Sales which was paid to the Banks  
7 in partial payment of the Banks’ Allowed Secured Claim, net of deductions for costs and expenses.

8 In addition to the above-described sales, the Debtors have also sold certain equipment and  
9 other assets in the ordinary course of their business such as unused and outdated equipment and  
10 demonstration tools.

#### 11 **5.3.5 Retention of Professionals.**

12 Since the Petition Date, the Debtors have employed the following professionals to assist in  
13 their reorganization efforts: (i) Murray & Murray, A Professional Corporation, as general bankruptcy  
14 counsel; (ii) Latham & Watkins, LLP, as special corporate counsel; (iii) Gifford, Krass, Groh,  
15 Sprinkle, Anderson & Citkowski, P.C. as special patent counsel; (iv) Wilson Sonsini Goodrich &  
16 Rosati as special real estate counsel; (v) the Law Offices of Matthew A. Joseph as special  
17 intellectual property counsel; (vi) Mohler, Nixon & Williams as accountants; (vii) Matthew Shelton,  
18 dba J.R. Parrish-Santa Cruz as real estate broker; and (viii) Needham as financial advisor. In  
19 addition, pursuant to the Debtors’ motion, the Court appointed Omni Management Inc. as the claims  
20 and noticing agent for the Clerk of Court for the United States Bankruptcy Court, Northern District  
21 of California in the Bankruptcy Cases. The Creditors’ Committee has employed Binder & Malter  
22 LLP as its counsel during the Bankruptcy Cases.

#### 23 **5.3.6 Allowance of Fees of Court-Appointed Professionals.**

24 On November 9, 2009, the Court entered its ORDER RE FIRST APPLICATION FOR INTERIM  
25 COMPENSATION AND REIMBURSEMENT OF EXPENSES BY ATTORNEYS FOR DEBTORS, thereby  
26 approving and allowing attorneys’ fees to the Debtors’ bankruptcy counsel in the sum of \$934,573  
27 for services rendered to the Debtors from June 9, 2009 through September 30, 2009, and authorizing  
28 payment of \$31,914 as reimbursement for expenses incurred in representation of the Debtors from

1 June 9, 2009 through September 30, 2009. The Debtors' bankruptcy counsel applied its pre-petition  
2 advance retainer in the sum of \$191,034 to its awarded fees, and the Debtors paid the balance of  
3 such fees and expenses in the amount of \$743,539.

4 Also on November 9, 2009, the Court entered its ORDER RE FIRST AMENDED APPLICATION  
5 FOR INTERIM COMPENSATION AND REIMBURSEMENT OF EXPENSES BY SPECIAL COUNSEL FOR  
6 DEBTORS (LATHAM & WATKINS LLP), thereby approving and allowing attorneys' fees to the  
7 Debtors' special corporate counsel in the sum of \$430,457 for services rendered to the Debtors from  
8 June 9, 2009 through September 30, 2009, and authorizing payment of \$1,387 as reimbursement for  
9 expenses incurred in representation of the Debtors from June 9, 2009 through September 30, 2009.  
10 The Debtors' special corporate counsel applied its pre-petition advance retainer in the sum of  
11 \$287,156 to its awarded fees, and the Debtors paid the balance of such fees and expenses in the  
12 amount of \$143,301.

13 On November 12, 2009, the Court approved and allowed the fees and expenses incurred by  
14 the Committee's counsel from June 9, 2009 through September 30, 2009, in the amounts of  
15 \$143,640 and \$1,422 respectively, pursuant to the ORDER GRANTING FIRST APPLICATION FOR  
16 APPROVAL OF INTERIM COMPENSATION AND REIMBURSEMENT OF EXPENSES BY COUNSEL FOR  
17 OFFICIAL UNSECURED CREDITORS' COMMITTEE. In accordance with that order, the Debtors paid the  
18 Committee's counsel the aggregate of \$145,062.

19 On November 19, 2009, the Court entered the ORDER RE FIRST APPLICATION FOR INTERIM  
20 COMPENSATION AND REIMBURSEMENT OF EXPENSES BY SPECIAL COUNSEL FOR DEBTORS (LAW  
21 OFFICES OF MATTHEW A. JOSEPH) approving and allowing attorneys' fees to the Debtors' special  
22 corporate counsel in the sum of \$11,760 for services rendered from June 9, 2009 through October  
23 26, 2009, which subsequently was paid by the Debtors.

24 Also, as discussed above, the Debtors paid Needham its fixed fee in the amount of \$600,000  
25 and its expenses in the amount of \$11,147, upon the Closing of the Sale.

26 In addition to the foregoing, through December 2009, certain of the Debtors' Professionals<sup>7</sup>  
27

28 <sup>7</sup> Such professionals are as follows: Murray & Murray, A Professional Corporation, bankruptcy counsel;  
Latham & Watkins, LLP, special corporate counsel; Wilson Sonsini Goodrich & Rosati, special real estate counsel; and

1 have accrued unpaid fees, which constitute Administrative Claims, aggregating to an estimated  
2 \$600,000. Also, Binder & Malter LLP, counsel to the Creditors' Committee, has accrued  
3 approximately \$86,000 in unpaid fees through January 15, 2010.

#### 4 **5.3.7 Appointment of Responsible Person.**

5 Pursuant to an order entered by the Bankruptcy Court on June 11, 2009, Patrick C. O'Connor  
6 was appointed the Responsible Person in the Bankruptcy Cases. As of the date of this Disclosure  
7 Statement, Mr. O'Connor holds the positions of Chief Executive Officer, Chief Restructuring  
8 Officer and Secretary of the Debtors. Mr. O'Connor is also a member of the board of directors of  
9 the Debtors.

#### 10 **5.3.8 Rejection of Leases.**

11 On August 11, 2009, the Court entered its ORDER AUTHORIZING DEBTORS TO REJECT  
12 EXECUTORY CONTRACTS AND UNEXPIRED LEASES PURSUANT TO 11 U.S.C. § 365 AND TO ESTABLISH  
13 BAR DATE FOR REJECTION CLAIMS (GENERAL ELECTRIC CREDIT CORPORATION ) (the "GECC  
14 Rejection Order"), and on August 14, 2009, the Court entered its ORDER AUTHORIZING DEBTORS TO  
15 REJECT EXECUTORY CONTRACTS AND UNEXPIRED LEASES PURSUANT TO 11 U.S.C. § 365 AND TO  
16 ESTABLISH BAR DATE FOR REJECTION CLAIMS ( IBM CREDIT LLC) (the "IBM Rejection Order"),  
17 thereby authorizing the Debtors to reject certain agreements for the lease of equipment which the  
18 Debtors determined was not necessary for the Company's operations.

19 The Plan further provides for the Debtors to reject all pre-petition executory contracts and  
20 unexpired leases that are not: (a) assumed or rejected prior to Confirmation; (b) the subject of a  
21 pending motion to assume filed prior to Confirmation; or (c) assumed pursuant to the Plan. Such  
22 executory contracts and unexpired leases to be rejected include, without limitation, those listed on  
23 Exhibit "C" attached to the Plan.

#### 24 **5.3.9 IBM Corporation Relief From Stay.**

25 On August 7, 2009, IBM Corporation filed its MOTION (1) FOR RELIEF FROM THE  
26 AUTOMATIC STAY PURSUANT TO 11 U.S.C. § 362(D), (2) FOR ADEQUATE PROTECTION PURSUANT TO

27  
28 Mohler, Nixon & Williams, accountants. Their fees comprise the large majority of the unpaid fees of the Debtors' Professionals through December 2009.

1 11 U.S.C. § 361, (3) TO COMPEL ASSUMPTION OR REJECTION OF EXECUTORY CONTRACT PURSUANT  
2 TO 11 U.S.C. § 365(D), AND (4) FOR ALLOWANCE AND PAYMENT OF ADMINISTRATIVE CLAIM  
3 PURSUANT TO U.S.C. § 503(B) (the “Relief From Stay Motion”) requesting the Court grant relief  
4 from the automatic stay to enable IBM Corporation to terminate a certain Statement of Work  
5 between IBM Corporation and ATI, based upon ATI’s alleged failure to pay pre-petition and post-  
6 petition payments. The Debtors presently are current on all post-petition payments under the  
7 Statement of Work, and IBM Corporation has continued the hearing on the Relief From Stay Motion  
8 subject to the Debtors staying current on their post-petition payments. Because the Debtors are  
9 current on all post-petition payments, they do not believe that IBM Corporation possesses an  
10 Administrative Claim in the Cases. Presently, the Relief From Stay Motion is set for hearing on  
11 March 3, 2010. The Debtors anticipate that the parties will continue their past practice of continuing  
12 the hearing on the Relief From Stay Motion through the Confirmation Date. The Debtors intend to  
13 reject the IBM Corporation Statement of Work as of the Effective Date.

14 **5.3.10 Other Bankruptcy Administration Matters.**

15 On June 10, 2009, this Court entered its ORDER AUTHORIZING AND DIRECTING JOINT  
16 ADMINISTRATION OF ESTATES in the Debtors’ cases.

17 The Debtors also sought and received an order from the Bankruptcy Court modifying the  
18 financial reporting requirements of Bankruptcy Rule 2015.3. The Debtors have filed all Monthly  
19 Operating Reports and are current in their payments of the United States Trustee’s fees. On January  
20 20, 2010, Aviza filed its most recent Monthly Operating Report for the month ending December  
21 2009 (the “December MOR”), a copy of which is attached hereto as **Exhibit “B”**.

22 The Debtors have responded to information requests by the Office of the United States  
23 Trustee and have attended meetings as requested.

24 After notice and a hearing on December 16, 2009, the Court entered its ORDER GRANTING  
25 SECOND MOTION FOR ORDER EXTENDING THE EXCLUSIVE PERIODS DURING WHICH ONLY THE  
26 DEBTORS MAY FILE A PLAN AND SOLICIT ACCEPTANCES THEREOF, extending the dates by which the  
27 Debtors solely may file a plan and solicit acceptances thereto to March 8, 2010 and May 6, 2010  
28 respectively.

1                   5.4     **Assets and Liabilities.**

2           As discussed above, the Debtors are operating pursuant to an approved cash collateral budget  
3 with the consent of the Banks and the Committee and the approval of the Bankruptcy Court. Cash in  
4 excess of budgeted amounts is used to pay down the debts to the Banks. As of December 25, 2009,  
5 the Debtors' cash on hand was approximately \$1.2 million. As discussed above, the Debtors hold  
6 two promissory notes issued in connection with the SPP Purchase Transaction which will result in  
7 payments potentially through the maturity date of April 16, 2011. The Debtors' remaining assets to  
8 be liquidated include the Debtors' real property at 440 Kings Village Road, Scotts Valley, CA 95066  
9 (defined in the Plan as the "Scotts Valley Property") and the manufacturing facilities located  
10 thereon, various product lines, equipment and inventory, stock in subsidiaries of the Debtors, and  
11 certain avoidance claims and potential causes of action against third parties which the Debtors are  
12 currently investigating.<sup>8</sup> The Debtors have executed a letter of intent for the purchase of the Scotts  
13 Valley Property with a potential purchaser and have continued to market the Scotts Valley Property  
14 for sale. In addition to the above, the Debtors estimate that they also have up to \$400,000 in  
15 accounts and other receivables which were not sold to SPP.

16           The Debtors have thus far undertaken only a preliminary review of Claims, and all bar dates  
17 for Claims have not yet been established (e.g., for certain Rejection Claims). Aviza's Monthly  
18 Operating Report for the month ending December 25, 2009<sup>9</sup> estimates allowed claims based on the  
19 Company's books and records as follows:

20           Secured Claims: \$18,696,761;

21           Priority Claims (other than taxes): \$182,452;

22           Priority Tax Claims: \$68,893; and

23           General Unsecured Claims: \$9,875,191.

24           Unpaid fees of certain of the Debtors' Professionals, which constitute Administrative Claims,  
25 through December 2009, total an estimated \$600,000 as set forth above. These amounts remain  
26 subject to Bankruptcy Court approval upon duly filed applications for compensation and after  
27

28           <sup>8</sup> The Debtors' remaining assets are described in greater detail below in Section 7.8.

<sup>9</sup> The December MOR reports through December 25, 2009.

hearings on notice.

Based on the above, amongst other items, the Debtors estimate that their total liabilities through December 25, 2009 approximate \$38.8 million. This estimate does not include Rejection Claims that may be filed following the filing of this Disclosure Statement and the Plan. If Claims filed by Creditors are allowed in amounts in excess of the above estimates (see discussion of particular Creditor groups below), the total liabilities may vary significantly which would impact the amount of any Pro Rata Distribution to that class under the Plan.

#### **5.4.1 The Debtors' Secured Debts.**

As of the Petition Date, searches of the public records of the California and Delaware Secretary of State offices and the public records of the County of Santa Cruz revealed six creditors asserting liens on certain assets each of which are discussed below.

#### 5.4.1.1. The Banks.

United Commercial Bank<sup>10</sup> filed blanket liens against both ATI and Aviza, as well as liens against their specific equipment and real property fixtures, all to reflect the Banks' security interests with respect to the Pre-Petition Secured Obligations. The Banks' liens attached to the proceeds of the Purchase Transaction to the same extent and priority as existed as of the Closing. As of January 2010, the Banks have indicated to the Debtors that they are owed approximately \$18.7 million, out of which \$12.2 million is owed under the Revolving Facility and \$6.5 million is owed under the Real Property Loan. While the Debtors do not dispute the principal owing to the Bank, the Debtors have not yet had the opportunity to fully review the Banks' Claim, including amounts that may have been included for interest, fees and other costs. Upon initial review, the Debtors believe that approximately \$1.6 million received from the Debtors may have been applied by the Banks to interest, fees and costs. In the event of an objection to the Banks' Claim (for which all rights are reserved), the amount of the Banks' Allowed Secured Claim will be determined by a Final Order.

#### 5.4.1.2. Environmental Systems Inc. (“ESI”).

A title report from the Santa Cruz County Recorder's Office on the Scotts Valley Property indicates that ESI filed and recorded a mechanic's lien against such property. Because the Scotts

<sup>10</sup> As of the date of this Disclosure Statement, United Commercial Bank is now part of East West Bank.

1 Valley Property was not included as a Purchased Asset in the Sale, any liens upon such property did  
2 not attach to any Purchased Assets included in the Sale.

3 ATI and Aviza included ESI with a disputed claim in the amount of \$30,986 in each of their  
4 Schedule D, and ESI filed an unsecured claim in the amount of \$30,986 based on “services  
5 provided.” The Debtors presently are conducting an investigation relative to the extent of the  
6 validity of ESI’s Claims and purported lien. If appropriate, the Debtors or Reorganized Debtors may  
7 file a complaint to determine the validity, priority or extent of ESI’s purported lien and/or to avoid  
8 such lien. Such a complaint would represent a Retained Claim as discussed in Subsection 7.8.5  
9 below.

10 The Debtors anticipate that they will sell the Scotts Valley Property pursuant to the  
11 procedures set forth in the Plan. To the extent ESI’s lien is determined to be valid and ESI holds a  
12 valid Secured Claim, such Claim will be paid from the net proceeds of the sale of the Scotts Valley  
13 Property as a Class 2 Claim to the same extent, priority and validity of the lien securing such  
14 Allowed Claim, as discussed in Section 6.4 below. In the event ESI is determined not to have a  
15 valid lien, it will be treated in Class 9 along with other Allowed general unsecured Claims.

16 **5.4.1.3. ASML U.S., Inc. and Related Entities (collectively,**  
17 **“ASML”).**

18 ASML filed a judgment lien in California based upon its judgment rendered against ATI on  
19 August 20, 2008 in the case entitled *ASML U.S. Inc. et al. v. Aviza Technology, Inc.*, Case No. CPF-  
20 08-508533. On September 4, 2009, ASML’s judgment lien was released.

21 A title report from the Santa Cruz County Recorder’s Office on the Scotts Valley Property  
22 indicates that ASML also filed and recorded an abstract of judgment against that property. On or  
23 about September 4, 2009, ASML released the lien.

24 ATI and Aviza included ASML with a disputed claim in the amount of \$609,540 in both  
25 Schedule D and Schedule F. Following the removal of its liens as referenced above, ASML filed  
26 Proofs of Claim in each of the Bankruptcy Cases asserting a secured claim in the amount of  
27 \$586,735. In light of the release of ASML’s liens, the Debtors believe that ASML’s Claim, to the  
28 extent it is an Allowed Claim, constitutes an Unsecured Claim under Class 9 as discussed below. If

1 appropriate and to the extent ASML does not amend its Claim, the Reorganized Debtors will object  
2 to the Claim.

3 **5.4.1.4. General Electric Credit Corporation of Tennessee**  
4 **("GECC").**

5 GECC filed what the Debtors believe was a protective lien based on its lease of specific  
6 electronic and test equipment to ATI. However, pursuant to the GECC Rejection Order, the Debtors  
7 rejected its master lease agreement with GECC. Furthermore, the GECC Rejection Order granted  
8 limited relief from the automatic stay to GECC to enable it to recover the equipment from ATI's  
9 premises. GECC has since repossessed its equipment. On October 21, 2009, GECC terminated its  
10 lien.

11 **5.4.1.5. IBM Credit LLC ("IBM Credit").**

12 IBM Credit filed 29 separate UCC-1 Financing Statements starting on November 10, 2005.  
13 Each such statement was filed as a precautionary filing under UCC 9-505 and identified specific  
14 leased equipment of the Debtors as collateral. Previously, ATI and IBM Credit entered into a master  
15 lease and a number of lease supplements (each constituting a separate lease for equipment) whereby  
16 ATI leased computer equipment from IBM Credit which serve as the basis for its UCC filings.  
17 Subsequently, pursuant to the IBM Rejection Order, the Debtors rejected 13 specific lease  
18 supplements which the Debtors determined were not necessary for the Company's operations, and  
19 IBM Credit repossessed the equipment underlying each of those supplements.

20 The Debtors did not assume and assign any of the lease agreements and corresponding  
21 supplements with IBM Credit to SPP in the Purchase Transaction, nor did they include any of the  
22 equipment subject to IBM Credit's financing statements as Purchased Assets in the Sale.

23 The Debtors believe that the remaining lease supplements constitute true lease agreements  
24 between the parties. The Debtors do not believe that IBM Credit holds any valid liens against the  
25 Debtors' assets and are presently conducting an investigation relative thereto. If appropriate, the  
26 Debtors or Reorganized Debtors may file a complaint to determine the validity, priority or extent of  
27 each lien and/or to avoid each such lien. Such a complaint would represent a Retained Claim as  
28 discussed in Subsection 7.8.5 below. To the extent IBM Credit's liens are each determined to be

1 valid and IBM Credit possesses a valid Secured Claim, IBM Credit's Allowed Secured Claim will be  
2 paid as a Class 4 Claim to the same extent, priority and validity of the liens securing such Allowed  
3 Claim based on the value of the collateral underlying its liens, as discussed in Section 6.6 below.

4 **5.4.1.6. Bank of America, N.A. ("BofA").**

5 BofA previously held a blanket lien to secure an obligation that was satisfied prior to the  
6 Petition Date. On August 21, 2009, BofA's lien was terminated.

7 **5.4.1.7. Iron Mountain Information Management, Inc. ("Iron Mountain").**

8  
9 While it did not file any UCC lien against the Debtors, Iron Mountain filed a Claim in the  
10 aggregate amount of \$16,402, \$4,743 of which is purported to be secured by a warehouseman's lien  
11 pursuant to California Commercial Code Sec. 7209, in 4,743 boxes in Iron Mountain's storage  
12 facility.

13 The Debtors presently are conducting an investigation relative to the extent of the validity of  
14 Iron Mountain's Claim and purported lien. If appropriate, the Debtors or Reorganized Debtors may  
15 file a complaint to determine the validity, priority or extent of Iron Mountain's purported lien and/or  
16 to avoid such lien. Such a complaint would represent a Retained Claim as discussed in Subsection  
17 7.8.5 below.

18 To the extent Iron Mountain's lien is determined to be valid and Iron Mountain possesses a  
19 valid Secured Claim, Iron Mountain's Allowed Secured Claim will be paid as a Class 3 Claim to the  
20 same extent, priority and validity of the lien securing such Allowed Claim based on the value of the  
21 collateral underlying its lien, as discussed in Section 6.5 below.

22 **5.4.1.8. Other**

23 A preliminary review of Claims filed against the Debtors indicates that WebEx  
24 Communications Inc. ("WebEx") filed a Claim in the amount of \$35,473 which indicates that  
25 WebEx reserves its rights to a secured claim to the extent of any rights of setoff or recoupment that it  
26 may have against the Debtors. The Debtors do not believe that WebEx holds any rights of setoff or  
27 recoupment against the Debtors, and to the extent the Debtors agree with the amount asserted by  
28 WebEx's Claim, it should be afforded general unsecured status. The Santa Cruz County Tax

Collector filed a Claim in the amount of \$153,122 asserting both a secured and priority Claim for unpaid real property taxes which the Debtors have paid.

#### **5.4.2 The Debtors' Unsecured Debts.**

The Debtors estimate Allowed general unsecured Claims will, with Allowed Rejection Claims, comprise Class 9, approximate \$14.0 million.<sup>11</sup> This estimate does not include all Claims arising from the rejection of executory contracts and unexpired leases where the bar date for filing a Rejection Claim has yet to expire or has not yet been established. Based on a preliminary analysis, the Debtors expect that such Rejection Claims will be nominal.

Based on a very preliminary review of general unsecured Claims filed against the Debtors, several are noted below where the asserted claim varies materially from the amount the Debtors believe is owing. To the extent such Creditors do not agree to amend their Claims, the Debtors intend to object to the asserted Claims.

**IPS, Ltd. (“IPS”)** was scheduled by the Debtors with a disputed, contingent and unliquidated Claim in the amount of \$0.0. IPS has filed a Claim in the amount of \$86.5 million which is disputed. The Claim is based upon a complaint for, *inter alia*, the alleged misappropriation of trade secrets, filed in the United States District Court, Central District of California by IPS against ATI, commencing Case No. CV 06-2200 FMC (JWJx) (the “IPS Action”) which remains pending. The Debtors believe that neither IPS’ Claim nor the allegations set forth in the IPS Action are valid. Accordingly, the Debtors filed an objection to this Claim on February 4, 2010.

**Alliance Contract Manufacturing SDN Bhd (“Alliance”)** was scheduled by the Debtors with a disputed, contingent and unliquidated Claim in the amount of \$645,906. Alliance has filed a claim in the amount of \$1,344,579 which is disputed. Alliance’s Claim alleges that Alliance incurred costs pursuant to orders for certain goods placed by ATI pursuant to a memorandum of understanding between Alliance and ATI. The Debtors neither received the benefit of any goods alleged in the Claim, nor do they believe that the costs incurred by Alliance aggregate to the amount asserted. Moreover, the Debtors believe that third-parties, including SPP, are presently using the goods which are the subject of Alliance’s Claim, and therefore, that the Claim amount should be

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<sup>11</sup> This amount does not include the amount of the Allowed Top Hat Claims.

1 mitigated significantly. Accordingly, to the extent that Alliance does not amend its Claim or the  
2 Debtors and Alliance do not resolve all disputes over the Claim otherwise, the Debtors intend to file  
3 an objection to this Claim.

4 **Aviza Technology, GmbH (Germany) (“AT Germany”)**, which is a subsidiary of ATI  
5 based in Dresden, Germany, is in bankruptcy proceedings in Germany. Its appointed Insolvency  
6 Administrator filed a Claim after the Claims Bar Date for intercompany transfers in the amount of  
7 \$8,163,825 based upon alleged amounts owed pursuant to internal orders placed by ATI.  
8 Notwithstanding the fact that such Claim was not timely filed, the Debtors believe, and AT  
9 Germany’s Proof of Claim indicates, that AT Germany owes certain amounts to the Debtors and  
10 that, at a minimum, the Debtors are due a significant offset of this Claim. To the extent that AT  
11 Germany’s Insolvency Administrator does not amend its Claim or the Insolvency Administrator and  
12 the Debtors do not resolve all disputes over the Claim otherwise, the Debtors intend to file an  
13 objection to this Claim.

14 **GECC** filed a Claim against the Debtors in the aggregate amount of \$1,565,140 based on the  
15 alleged loss value of leased equipment and alleged rent and other sums purportedly due pursuant to a  
16 certain master lease agreement. GECC’s Claim asserts that \$70,553 of the Claim amount is an  
17 administrative expense claim. As discussed above, however, the Debtors rejected their master lease  
18 agreement with GECC effective as of the Petition Date, and the Debtors do not believe that any other  
19 basis exists for the assertion of an Administrative Claim. Therefore, the Debtors will file an  
20 objection if necessary on the basis that GECC’s claim, to the extent it is Allowed, is entitled to only  
21 general unsecured status. In addition, the Debtors intend to object to the GECC’s claim to the extent  
22 the damages were mitigated by liquidation or other disposition of the equipment.

23 **Ultra Clean Technology (“UCT”)** filed a Claim after the Claims Bar Date on October 19,  
24 2009, in the amount of \$588,269. Notwithstanding the fact that such Claim was not timely filed, the  
25 Debtors believe that UCT previously agreed on the amount of its Allowed Claim, which the Debtors  
26 believe to be the amount of \$273,898 as indicated in their Schedules. To the extent that UCT does  
27 not amend its Claim or the Debtors and UCT do not resolve all disputes over the Claim otherwise,  
28 the Debtors intend to file an objection to this Claim.

1 The above is not a complete summary of disputed claims. As already noted, the Debtors  
2 have not yet had an opportunity to review all Claims asserted against the Bankruptcy Estates. Thus,  
3 the fact that a Claim is not referred to above does not mean the Claim is not disputed or will not be  
4 subject to an objection at the appropriate time. The total allowed Claims in Class 9 will not be  
5 finally determined until all Claims bar dates have passed and Claims objections have been resolved  
6 or otherwise adjudicated by the Bankruptcy Court.

## 7 ARTICLE VI.

### 8 CLAIMS AND EQUITY INTERESTS AND TREATMENT UNDER THE PLAN

9 The Claims against and Interests in the Debtor, and their treatment under the Plan are  
10 summarized below.

#### 11 6.1 Administrative Claims.

##### 12 6.1.1 Description.

13 Administrative Claims, generally, are claims that arise during the pendency of a chapter 11  
14 case and are entitled to priority in payment, pursuant to Section 507(a)(2) of the Bankruptcy Code.  
15 Here, these include Claims for: (a) costs or expenses of administration of a kind specified in Section  
16 503(b) of the Bankruptcy Code, including any actual and necessary costs and expenses of preserving  
17 the Bankruptcy Estates incurred on or after the Petition Date and through and including  
18 Confirmation; (b) Claims under Section 503(b)(9) of the Bankruptcy Code for the value of goods  
19 received by the Debtors within 20 days before the Petition Date in which the goods have been sold to  
20 the Debtors in the ordinary course of the Debtors' business; (c) any cure amounts that must be paid  
21 in connection with the assumption of executory contracts or unexpired leases of the Debtors under  
22 Section 365 of the Bankruptcy Code; (d) fees due to the United States Trustee pursuant to 28 U.S.C.  
23 § 1930(a)(6); and (e) allowed compensation and costs for professional services under Sections 330  
24 and 331 of the Bankruptcy Code or otherwise.

##### 25 6.1.2 Administrative Claims – Estimate.

26 The Debtors anticipate that the majority of Administrative Claims that will remain unpaid as  
27 of the Effective Date will be the fees of the Debtors' Professionals and the Committee's  
28

Professionals.<sup>12</sup> Set forth below are *estimated* fees and expenses (net of retainers) for the Debtors' Professionals and the Committee's Professionals through April 8, 2010, which is the estimated date for the Confirmation Hearing:

<u>Professional</u>	<u>Estimated fees &amp; expenses for period through April 8, 2010</u>
<b>Murray &amp; Murray</b> (Debtors' bankruptcy counsel)	\$800,000 (from October 1, 2009)
<b>Latham &amp; Watkins, LLP</b> (Debtors' special corporate counsel)	\$200,000 (from October 1, 2009)
<b>Law Offices of Matthew A. Joseph</b> (Debtors' special intellectual property counsel)	\$100,000 (from October 26, 2009)
<b>Gifford, Krass, Groh, Sprinkle, Anderson &amp; Citkowski, P.C.</b> (Debtors' special patent counsel)	\$1,000 (from June 9, 2009)
<b>Wilson Sonsini Goodrich &amp; Rosati P.C.</b> (Debtors' special real estate counsel)	\$100,000 (from June 9, 2009)
<b>Mohler, Nixon &amp; Williams</b> (Debtors' accountants)	\$75,000 (from June 9, 2009)
<b>Binder &amp; Malter LLP</b> (Counsel for the Creditors' Committee)	\$165,000 (from October 1, 2009)
<b>TOTAL:</b>	\$1,441,000

Additional fees and expenses will be incurred by some or all of these professionals after the dates indicated.<sup>13</sup> All professional fees through the Confirmation Date are subject to Court approval after a hearing on notice to Creditors. In addition, the Debtors pay the fees and expenses incurred on a monthly basis by Omni Management Inc., the Court-approved claims and noticing agent. The Debtors anticipate that the fees and expenses of Omni Management Inc. from January 1, 2010 through March 31, 2010, will approximate \$7,500.00.

In addition, the Debtors believe that certain Creditors may assert "reclamation claims" which constitute Administrative Claims under Section 503(b)(9) of the Bankruptcy Code. As indicated in ATI's and Aviza's Schedules, the Debtors estimate that these Claims may aggregate to \$5,400.

<sup>12</sup> As discussed above, the Court previously approved and allowed fees and expenses on an interim basis to Murray & Murray, Latham & Watkins LLP, the Law Offices of Matthew A. Joseph, and Binder & Malter pursuant to their respective applications. The Debtors have paid the Court-approved amounts. Additionally, pursuant to the Sale Order and the Needham Order, the Debtors paid Needham its fixed fee and expense reimbursement. Where available, the below estimates include actual fees and expenses of the particular professional.

<sup>13</sup> The Debtors anticipate that they may apply to the Court for authorization to employ special litigation counsel, specifically to manage litigation with respect to IPS' Claim. In that instance, the fees and expenses of such special litigation counsel also would be included as an Administrative Claim.

1 A preliminary review of filed Claims reflects an asserted Administrative Claim by Oracle  
2 USA, Inc. in the amount of \$354,136 which has been satisfied in connection with the assumption  
3 and assignment of its license with respect to the SPP Purchase Transaction. A purported  
4 Administrative Claim was also filed by Bayport Batavia Associates, L.P., a former landlord of the  
5 Debtors, in the amount of \$9,430 for rent; however, the Debtors rejected the associated property  
6 lease effective as of the Petition Date, and therefore any asserted Claim is at most a general  
7 unsecured Claim. Similarly, GECC filed a purported administrative expense Claim in the amount of  
8 \$70,553. As discussed above, however, pursuant to the GECC Rejection Order, the Debtors rejected  
9 their master lease agreement with GECC effective as of the Petition Date, and the Debtors do not  
10 believe that any other basis exists for the assertion of an Administrative Claim. Therefore, GECC's  
11 Claim, to the extent it is allowed, should be afforded general unsecured status. Hartford Life and  
12 Accident Insurance Company filed a purported Administrative Claim in the amount of \$10,639  
13 based on insurance premiums incurred during the pendency of the Bankruptcy Cases. The Debtors  
14 believe that they have paid all premiums owed to Hartford Life and Accident Insurance Company as  
15 they have become due, and therefore, this Claim will likely be the subject of an objection.

16 In addition to the above, the Debtors anticipate that Administrative Claims will include a  
17 small amount of current expenses incurred in the ordinary course of the Debtors' operations which  
18 they will not have paid by the Effective Date. These amounts will be paid in the ordinary course of  
19 the Debtors' business.

### 20 **6.1.3 Administrative Claims – Treatment.**

21 Estimated Administrative Claims are included and accounted for in the Cash Collateral  
22 Budget (which provides a budget through December 31, 2010); however, the actual Allowed  
23 Administrative Claims may be more or less than the budgeted amounts depending on the services  
24 required. Except to the extent that the holder of a particular Administrative Claim has agreed to a  
25 different treatment of such Claim, each holder of an Allowed Administrative Claim will be paid in  
26 cash, in full upon the later of (a) the Effective Date; (b) if such Claim is initially a Disputed Claim or  
27 an order of the Court is required prior to any payment, upon the ultimate allowance of such Claim by  
28 a Final Order of the Bankruptcy Court; and (c) if such Claim is incurred after the Petition Date in the

ordinary course of the Debtors' business, within such time as payment is due pursuant to the terms giving rise to such Claim.

#### **6.1.4 Administrative Claims – Deadline for Requests for Payment.**

Any request for allowance of an Administrative Claim pursuant to Section 503(a) of the Bankruptcy Code, other than by the Debtors' Professionals and the Committee's Professionals, must be filed on or before the "Administrative Claims Bar Date," which is thirty (30) days following the date of the Effective Date. If the holder of an asserted Administrative Claim does not file and serve a request for payment of such Claim (pursuant to the procedures set forth in the Plan) on or before that date, the holder will be forever barred from asserting such Claim or receiving any payment on account of such Claim.

### **6.2 Tax Claims.**

#### **6.2.1 Description.**

Certain Claims by governmental units, primarily Tax Claims, are entitled to priority over pre-petition Claims of general unsecured Creditors pursuant to Section 507(a)(8) of the Bankruptcy Code. The Debtors estimate the Allowed Tax Claims to be approximately \$69,000. Certain Tax Claims have been filed by various Creditors, including the Santa Cruz County Tax Collector (\$153,122)<sup>14</sup>, the Orange County Tax Collector (\$9,630), the State of New Jersey (\$7,400) and the Texas Comptroller (\$2,559). As of the date of this Disclosure Statement, filed Tax Claims aggregate to \$175,895. However, the Debtors have paid substantially all of these Claims or otherwise resolved them, and therefore believe that the large majority will not be Allowed. Pending review of asserted Tax Claims, the amount of the Allowed Tax Claims may vary from the above estimate.

#### **6.2.2 Tax Claims – Treatment.**

Except to the extent that the holder of a particular Tax Claim has agreed to a different treatment of such Claim, after payment in full of (a) the Allowed Secured Claim of the Banks; (b) other Allowed Secured Claims, if any, or reservation otherwise for such Allowed Secured Claims, to the extent of the lien on the particular collateral underlying such lien; and (c) all Allowed Priority

<sup>14</sup> The Santa Cruz County Tax Collector's Claim indicates it is secured but also asserts priority status under Section 507(a)(8) of the Bankruptcy Code and therefore is included in this description of Tax Claims.

1 Claims, each holder of an Allowed Tax Claim will receive a cash payment equal to the Allowed  
2 Amount of such Claim plus interest on such Allowed Claim at the rate of interest determined under  
3 applicable non-bankruptcy law pursuant to Bankruptcy Code Section 511, from the Petition Date  
4 through the date of payment in full; provided, however, that (a) no such payment will be made  
5 longer than five (5) years from the Petition Date, and (b) no holder of an Allowed Tax Claim shall be  
6 treated in a manner less favorable than any Allowed Claim in Class 9. With respect only to Allowed  
7 Claims based on accrued real property taxes assessed against and secured by the Scotts Valley  
8 Property, such Claims will not be paid until such property is sold.

9                   6.3       **Class 1: Secured Claim of the Banks.**

10                           **6.3.1       Description (Class 1 Under the Plan).**

11           Class 1 consists of the Secured Claim of the Banks.

12                           **6.3.2       Secured Claim of the Banks – Treatment.**

13           The Allowed Secured Claim of the Banks will be paid in cash as soon as reasonably  
14 practicable, up to the unpaid Allowed Amount of such Claim. During the pendency of these  
15 Bankruptcy Cases, the Debtors have made certain payments to the Banks on account of their Secured  
16 Claim. The calculation of the Allowed Amount of such Claim will therefore include adjustments by  
17 such amounts. The Allowed Secured Claim of the Banks will be paid from, but only to the extent of,  
18 the proceeds of the liquidation of the Debtors' remaining assets and the proceeds of the Sales  
19 Transactions, net of those amounts authorized to be paid by any existing Court order, or that are  
20 payable upon following the procedure established by the Excess Equipment Order, and any  
21 subsequent order with respect to those assets not yet sold for which an order of the Bankruptcy Court  
22 is entered; provided, however, that any payment to the Banks will be subject to the terms of the cash  
23 collateral orders entered or to be entered in the Bankruptcy Cases; and provided further that the  
24 Banks' security interests will remain subject to any lien or security interest that is now senior or  
25 prior to the Banks' security interests under applicable law.

26           If any Claim of the Banks is determined to be an Allowed Unsecured Claim, such Claim will  
27 receive the same treatment provided to other Persons holding similar Allowed Claims in Class 9.

28           CLASS 1 IS IMPAIRED AND THE HOLDERS OF ALLOWED CLAIMS IN CLASS 1

1 ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.

2 6.4 **Secured Claim of ESI.**

3 6.4.1 **Description (Class 2 Under the Plan).**

4 Class 2 consists of the Secured Claim of ESI to the extent such Secured Claim constitutes an  
5 Allowed Claim. This Claim is based on the mechanic's lien filed by ESI against the Scotts Valley  
6 Property which was not included in any of the Sales Transactions and remains an asset of the  
7 Debtors.

8 6.4.2 **Secured Claim of ESI – Treatment.**

9 The holder of the Allowed Claim of ESI, to the extent such Allowed Claim constitutes a  
10 Secured Claim, will receive either: (a) the net proceeds from the sale of the Scotts Valley Property at  
11 the time of such sale or as soon thereafter as practicable, up to the unpaid Allowed Amount of such  
12 Claim and to the same extent, priority and validity of the lien securing such Allowed Claim; or (b)  
13 such other less favorable treatment as shall be agreed to by the Reorganized Debtor and the holder of  
14 such Secured Claim. Any Allowed Claim held by the holder of such Allowed Secured Claim  
15 remaining after giving effect to the foregoing treatment will be treated as part of Class 9.

16 CLASS 2 IS UNIMPAIRED AND THE HOLDERS OF ALLOWED CLAIMS IN CLASS 2  
17 ARE CONCLUSIVELY PRESUMED, PURSUANT TO SECTION 1126(F) OF THE  
18 BANKRUPTCY CODE, TO HAVE ACCEPTED THE PLAN.

19 6.5 **Secured Claim of Iron Mountain.**

20 6.5.1 **Description (Class 3 Under the Plan).**

21 Class 3 consists of the Secured Claim of Iron Mountain to the extent such Secured Claim  
22 constitutes an Allowed Claim. This Claim is asserted in the amount of \$4,743, based on the alleged  
23 warehouseman's lien asserted by Iron Mountain, in 4,743 boxes in Iron Mountain's storage facility.  
24 The records stored at Iron Mountain remain assets of the Debtors.<sup>15</sup>

25 6.5.2 **Secured Claim of Iron Mountain – Treatment.**

26 Except to the extent the holder of the Allowed Claim of Iron Mountain agrees to a less  
27

28 <sup>15</sup> Iron Mountain also asserted a general unsecured portion in the amount of \$11,659.49 that is included in Class 9.

1 favorable treatment, the Plan leaves unaltered the legal, equitable, and contractual rights of the  
2 holder of the Allowed Claim of Iron Mountain, to the extent such Allowed Claim constitutes a  
3 Secured Claim, including the retention of any lien to the extent not avoidable. Any Allowed Claim  
4 held by the holder of such Allowed Secured Claim remaining after giving effect to the foregoing  
5 treatment will be treated as part of Class 9.

6 CLASS 3 IS UNIMPAIRED AND THE HOLDERS OF ALLOWED CLAIMS IN CLASS 3  
7 ARE CONCLUSIVELY PRESUMED, PURSUANT TO SECTION 1126(F) OF THE  
8 BANKRUPTCY CODE, TO HAVE ACCEPTED THE PLAN.

9 6.6 **Other Secured Claims (other than the Banks, ESI and Iron Mountain).**

10 6.6.1 **Description (Class 4 Under the Plan).**

11 Class 4 consists of any other holders of Allowed Secured Claims<sup>16</sup> (each of which will be in  
12 its own subclass under Class 4). As discussed above in Subsection 5.4.1, as of the Petition Date,  
13 several parties filed protective UCC-1 financing statements against the Debtors. The Debtors  
14 believe that the majority of those parties no longer hold active or valid liens against the Debtors'  
15 assets. With the exception of IBM Credit, the Debtors further believe that they are not in possession  
16 of any property that may be subject to such liens. The Debtors presently are conducting  
17 investigations related to the liens asserted by IBM Credit each of which indicates they are filed for  
18 protective purposes. The equipment underlying IBM Credit's purported liens was not included in  
19 any of the Sales Transactions. IBM Credit filed a Proof of Claim asserting only general unsecured  
20 and priority administrative status based on computer leases to the Debtors.

21 To the extent that any remaining valid liens exist, the Debtors anticipate that they will contact  
22 each purported lien holder to obtain a consensual release or to resolve each matter otherwise. If  
23 appropriate, the Debtors or Reorganized Debtors may file complaints to determine the validity,  
24 priority or extent of each lien and/or to avoid each such lien. Each such complaint would represent a  
25 Retained Claim as discussed in Subsection 7.8.5 below.

26 The Debtors scheduled Class 4 Claims in unknown amounts. In addition, certain Proofs of

27 <sup>16</sup> A Claim is a Secured Claim only to the extent of the value of the holder's interest in the Estates' interest in  
28 the collateral securing the Claim or to the extent of the amount subject setoff, as applicable, as determined by the  
Bankruptcy Court under Sections 506(a), 553, and/or 1129(b)(2)(A) of the Bankruptcy Code, as applicable.

1 Claim filed assert an aggregate of approximately \$2,300 in Class 4 Claims which the Debtors  
2 dispute. All purported Class 4 Claims are subject to verification and are likely to be reduced  
3 following the Debtors' resolution of Disputed Claims.

#### 4 **6.6.2 Other Secured Claims – Treatment.**

5 Each holder of an Allowed Class 4 Secured Claim, to the extent there are any such Allowed  
6 Class 4 Secured Claims, will receive on the Effective Date, at the Reorganized Debtors' option: (a)  
7 the net proceeds from the sale of its collateral at the time of such sale or as soon thereafter as  
8 practicable, up to the unpaid Allowed Amount of such Claim and to the same extent, priority and  
9 validity of the lien securing such Allowed Claim; (b) the return of its collateral; or (c) such other less  
10 favorable treatment as may be agreed to by the Reorganized Debtors and the holder of such Secured  
11 Claim. Any Allowed Claim held by the holder of such Allowed Secured Claim remaining after  
12 giving effect to the foregoing treatment will be treated as part of Class 9.

13 CLASS 4 IS UNIMPAIRED AND THE HOLDERS OF ALLOWED CLAIMS IN CLASS 4  
14 ARE CONCLUSIVELY PRESUMED, PURSUANT TO SECTION 1126(F) OF THE  
15 BANKRUPTCY CODE, TO HAVE ACCEPTED THE PLAN.

#### 16 **6.7 Employee Priority Claims.**

##### 17 **6.7.1 Description (Classes 5 and 6 under the Plan).**

18 Certain Claims of employees incurred in the months prior to the commencement of the  
19 Bankruptcy Cases are entitled to priority under Section 507(a)(4) of the Bankruptcy Code. In  
20 addition, certain Claims based on contributions made to employee benefits plans in the months prior  
21 to the commencement of the Bankruptcy Cases are entitled to priority under Section 507(a)(5) of the  
22 Bankruptcy Code.

23 The Debtors' Schedules indicate that the Claims under Classes 5 and 6 aggregate to  
24 approximately \$347,000 as of the Petition Date. However, pursuant to the Court's ORDER  
25 GRANTING MOTION FOR ORDER AUTHORIZING THE DEBTOR TO (I) HONOR PRE-PETITION EMPLOYEE  
26 WAGES, OBLIGATIONS AND CONTRIBUTIONS TO EMPLOYEE BENEFIT PLANS; AND (II) FOR THE  
27 DEBTOR AND BANKS AND OTHER FINANCIAL INSTITUTIONS TO COMPLY WITH PROCEDURES  
28 RELATING THERETO entered on June 22, 2009, the Court authorized the Debtors to pay outstanding

1 pre-petition salaries, wages, and business expense and to honor vacation and honor any other  
2 outstanding employee obligations, up to a maximum of \$10,950 per employee. Consequently, the  
3 Debtors have paid some Claims within Classes 5 and 6 in the amount of approximately \$160,000. In  
4 addition, the Debtors believe that they previously paid some of the Claims asserted based on  
5 employee benefits plans which comprise Class 6. Furthermore, pursuant to the Purchase  
6 Transaction, SPP assumed certain liabilities of employees which constitute Priority Claims within  
7 Class 5 and Class 6, which the Debtors estimate at approximately \$18,000. Accordingly, the  
8 Debtors believe that the amount of Allowed Claims in Class 5 and Class 6 will be less than the  
9 scheduled amounts and possibly as little as \$120,000. The Debtors believe that holders of Allowed  
10 Claims within Classes 5 and 6 will vote in favor of the Plan.

#### 11 **6.7.2 Employee Priority Claims – Treatment.**

12 Except to the extent that the holder of a particular Priority Claim entitled to priority under  
13 Sections 507(a) (4) and (5) of the Bankruptcy Code has agreed to a different treatment of such  
14 Claim, each holder of such Claim will receive, as soon as reasonably practicable after payment in  
15 full of (a) the Banks' Allowed Secured Claim, and (b) other Allowed Secured Claims, if any, or  
16 reservation otherwise for such Allowed Secured Claims, to the extent of the lien on the particular  
17 collateral underlying such lien, deferred cash payments of a value equal to the allowed amount of  
18 such Claim plus interest calculated at the Legal Rate from the Petition Date through the date of  
19 payment in full.

20 CLASS 5 AND CLASS 6 ARE IMPAIRED AND THE HOLDERS OF ALLOWED  
21 CLAIMS IN CLASS 5 AND CLASS 6 ARE ENTITLED TO VOTE TO ACCEPT OR REJECT  
22 THE PLAN.

#### 23 **6.8 Top Hat Claims.**

##### 24 **6.8.1 Description (Class 7 under the Plan).**

25 Class 7 consists of the Allowed Claims of certain employees to funds held in a trust account  
26 established by the Debtors. Prior to the Petition Date, the Debtors established the Top Hat Plan  
27 whereby the Debtors promised to pay certain employees deferred compensation at a future time. In  
28 accordance with the Plan, the Debtors set aside in a segregated trust account, deferred compensation

1 amounts (i.e., the Top Hat Funds) which were to remain the general assets subject to the Debtors'  
2 creditors in the event of insolvency. As discussed below in Subsection 7.8.4, the Top Hat Funds still  
3 remain in their segregated trust accounts and are assets of the Bankruptcy Estates.

#### 4 **6.8.2 Top Hat Claims – Treatment.**

5 The holders of Allowed Class 7 Claims will retain their rights under the Top Hat Plan and  
6 treatment of such Claims shall be as afforded under the Top Hat Plan. Distributions made from the  
7 Top Hat Funds will be subject to the Reorganized Debtors' withholding and payment of applicable  
8 federal and state withholding income tax amounts to the appropriate taxing authorities (as required).

9 CLASS 7 IS UNIMPAIRED AND THE HOLDERS OF ALLOWED CLAIMS IN CLASS 7  
10 ARE CONCLUSIVELY PRESUMED, PURSUANT TO SECTION 1126(F) OF THE  
11 BANKRUPTCY CODE, TO HAVE ACCEPTED THE PLAN.

#### 12 **6.9 Administrative Convenience Claims.**

##### 13 **6.9.1 Description (Class 8 under the Plan).**

14 Class 8 consists of all Administrative Convenience Claims which are (a) Allowed Timely  
15 Filed Unsecured Claims of \$1,000 or less against the Company whose holders elect treatment under  
16 Class 8, and (b) Allowed Timely Filed Unsecured Claims greater than \$1,000 whose holders elect  
17 treatment under Class 8 and agree to reduce their respective Allowed Claims to \$1,000.

18 A preliminary review of the Debtors' books and records and the filed Claims in these Cases  
19 indicate that the total number of Claims in the amount of \$1,000 or less is 158, and the aggregate  
20 amount of such Claims is \$54,292.44. Consequently, the net Distribution thereon is a maximum of  
21 50% of that total, absent objections to such Claims. The cash required for Distribution to Class 8  
22 may be higher based on Creditors with Claims in excess of \$1,000 who elect treatment in Class 8.

##### 23 **6.9.2 Administrative Convenience Claims – Treatment.**

24 As soon as reasonably practicable after payment in full of Allowed Claims in Classes 1  
25 through 6, each holder of a Class 8 Allowed Administrative Convenience Claim will receive a single  
26 cash payment in the amount of 50% of its Allowed Claim, not to exceed \$500.00, which payment  
27 will be in full and final satisfaction of each respective Class 8 Claim.

28 CLASS 8 IS IMPAIRED AND THE HOLDERS OF ALLOWED CLAIMS IN CLASS 8

1 ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.

2 **6.10 Timely-Filed Unsecured Claims.**

3 **6.10.1 Description (Class 9 under the Plan).**

4 Class 9 consists of all general unsecured Claims against the Company that were filed on a  
5 timely basis and that are not included or provided for in any other class, irrespective of when  
6 incurred. With the exception of Claims whose holders have elected treatment under Class 8 of the  
7 Plan, this class includes all unsecured Claims of vendors and trade Creditors for goods delivered and  
8 services provided to the Company and all Rejection Claims. Class 9 excludes unclassified and  
9 priority Administrative Claims, Tax Claims, Secured Claims, Priority Claims, Top Hat Claims and  
10 Administrative Convenience Claims. The total amount of general unsecured Claims listed in the  
11 Debtors' Schedules is approximately \$9.8 million. The total amount asserted against the Debtors in  
12 Proofs of Claims filed in the Bankruptcy Cases as of December 2009, is approximately \$98 million  
13 although this amount includes many Claims which are disputed by the Debtors, including the above-  
14 discussed IPS Claim in the amount of \$86.5 million. The Debtors believe the total Class 9 Allowed  
15 Timely Filed Unsecured Claims will, after all objections have been resolved, approximate \$14.0  
16 million.<sup>17</sup>

17 **6.10.2 Timely Filed Unsecured Claims – Treatment.**

18 After payment in full of Allowed Claims in Classes 1 through 6 and 8, and payment of or  
19 reserve for the Liquidation Incentive Accruals, each holder of a Class 9 Allowed Timely Filed  
20 Unsecured Claim will receive its Pro Rata share of Available Cash, if any, pursuant to one or more  
21 Distributions until the depletion of the Available Cash or payment in full.

22 In addition, if the Allowed Claims in Class 10 are paid in full, then each holder of an  
23 Allowed Claim in Class 9 will receive interest on such Allowed Claim from the Petition Date  
24 through the date of payment in full to the extent of remaining Available Cash, on a Pro Rata basis  
25 with all other holders of Allowed Claims in Classes 9 and 10 (all at the applicable rate specified in  
26 the Plan for such Claims).

27  
28 <sup>17</sup> These numbers include the amounts for Claims of \$1,000 and under, which, upon the election by the holder of each such Claim, may constitute Administrative Convenience Claims in Class 8.

1 The Disbursing Agent will make the first Distribution on account of Allowed Claims in Class  
2 9 as soon as reasonably practicable upon the later of: (a) payment in full to the holders of Allowed  
3 Class 6 Claims in accordance with the Plan, or (b) if such Claim is initially a Disputed Claim, when  
4 it becomes an Allowed Claim, but in no event prior to the Administrative Claims Bar Date or the  
5 Rejection Claims Bar Date. After the first Distribution, the Disbursing Agent will make a  
6 Distribution each calendar quarter unless otherwise agreed upon between the Reorganized Debtors  
7 and the Creditors' Committee or ordered by the Bankruptcy Court upon motion after notice provided  
8 in accordance with the Notice Procedure; provided, however, that no Distribution (other than the  
9 final Distribution) will be required if the amount to be distributed is less than \$250,000.

10 The promissory notes received by the Debtors in connection with the Purchase Transaction  
11 do not mature until April 16, 2011. One of the promissory notes is also a non-recourse note. The  
12 recoveries on that note are based on the sale of inventory and the collection of certain accounts  
13 receivable. Whether the full amount of the Sale Proceeds is realized will therefore not be known  
14 until possibly April 2011 (or later if the Debtors receive inventory and accounts receivable back at  
15 the time the notes have matured). Therefore, the amount of Available Cash and the timing of  
16 Distributions will be influenced accordingly.

17 CLASS 9 IS IMPAIRED AND THE HOLDERS OF ALLOWED CLAIMS IN CLASS 9  
18 ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.

19 6.11 **Late Filed Unsecured Claims.**

20 6.11.1 **Description (Class 10 Under the Plan).**

21 Class 10 consists of all Claims that would be entitled to treatment as a general unsecured  
22 Claim in Class 9, but for the fact such Claims were not filed by the Claims Bar Date, but does not  
23 include any Claim that is filed after the Effective Date. Claims filed after the Effective Date will not  
24 be allowed or paid under any circumstance. Class 10 includes, without limitation, the Claims of AT  
25 Germany and UCT.

26 6.11.2 **Late Filed Unsecured Claims – Treatment.**

27 Each holder of an Allowed Late Filed Unsecured Claim will receive its Pro Rata share of  
28 Available Cash remaining after payment in full of Allowed Claims in Class 9.

1 In addition, if the Allowed Claims in Class 10 are paid in full, then each holder of an  
2 Allowed Claim in Class 10 will receive interest on such Allowed Claim from the Petition Date  
3 through the date of payment in full to the extent of remaining Available Cash, on a Pro Rata basis  
4 with all other holders of Allowed Claims in Classes 9 and 10 (all at the applicable rate specified in  
5 the Plan for such Claims).

6 The Disbursing Agent will make the first Distribution on account of Allowed Claims in Class  
7 10 as soon as reasonably practicable upon the later of: (a) payment to the holders of Allowed Class 9  
8 Claims in accordance with the Plan, or (b) if such Claim is initially a Disputed Claim, when it  
9 becomes an Allowed Claim, but in no event prior to the Administrative Claims Bar Date or the  
10 Rejection Claims Bar Date.

11 CLASS 10 IS IMPAIRED AND THE HOLDERS OF ALLOWED CLAIMS IN CLASS 10  
12 ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.

13 **6.12 Interests (Holders of Common Stock).**

14 The Debtors do not expect that there will be any Available Cash to make any Distributions to  
15 holders of Allowed Interests. However, the Plan includes Class 11 and Class 12 to afford treatment  
16 to Interest holders in the event any Available Cash remains for Distribution on Allowed Interests.

17 **6.12.1 Description (Class 11 under the Plan).**

18 Class 11 includes all Allowed Interests of the holders of ATI's common stock; provided,  
19 however, for purposes of Distribution under the Plan, the Allowed Interests of the holders of ATI's  
20 common stock will include, and be limited to, the holders of record on the "Record Date" (defined in  
21 the Plan and below), any transfers thereafter notwithstanding.

22 As discussed above, ATI's common stock previously was delisted from the Nasdaq Global  
23 Market and currently is now trading only on the "pink sheets." In order to fix which holder of  
24 particular shares is entitled to receive Distributions pursuant to the Plan, the Record Date must be  
25 established such that, when fixed, only the holders of shares (Allowed Interests) on such Record  
26 Date will be entitled to receive Distributions. The "Record Date" hereunder for purposes of  
27 Distribution means the close of business on the 30<sup>th</sup> day after the Effective Date.

28 As of July 2009, there were approximately 21,900,000 registered shares of common stock of

ATI issued and outstanding, held by approximately 190 holders of record. This number does not include beneficial holders of the common stock for whom shares are held in “nominee” or “street” accounts. As of June 2009, there were at least 2,500 beneficial holders of ATI’s common stock holding approximately 10,500,000 shares.

#### **6.12.2 Holders of Interests (Common Stock) - Treatment.**

Each holder of an Allowed Interest in Class 11 will receive, on account of, and in exchange for, its Allowed Class 11 Interest, its Pro Rata share of all Available Cash remaining, if any, after payment in full of Allowed Claims in Classes 8 through 10, including interest on all Allowed Claims as provided under the Plan, and payment of or reserve for the Liquidation Incentive Supplement.

Immediately following the Record Date, the stock transfer ledgers of ATI will be closed, and there will be no further changes made or processed in the holders of record of ATI’s common stock. The Company’s stock transfer agent or agents will not accept or process any requests or instructions for transfers of ATI’s common stock after the Record Date. The Debtors, the Reorganized Debtors, the Disbursing Agent and the Responsible Person, will not recognize any transfer of ATI’s common stock after the Record Date, but will instead be entitled to recognize and deal for all purposes with only those holders of record stated on the applicable transfer ledgers as of the Record Date.

Distribution payments will also be sent only to the record holders of ATI’s common stock as of the Record Date. Distributions to a beneficial owner whose shares are held in “nominee” or “street” name will be made to the applicable broker or account representative. The beneficial owner is responsible for assuring that its nominee transmits to them any Distribution received from the Company.

CLASS 11 IS UNIMPAIRED AND THE HOLDERS OF ALLOWED INTERESTS IN CLASS 11 ARE CONCLUSIVELY PRESUMED, PURSUANT TO SECTION 1126(F) OF THE BANKRUPTCY CODE, TO HAVE ACCEPTED THE PLAN.

#### **6.13 Interests (Option Holders).**

##### **6.13.1 Description (Class 12 under the Plan).**

Class 12 includes the Allowed Interests of the holders of stock options and/or other rights to

1 acquire any equity security of ATI.<sup>18</sup> As of January 16, 2010, the Debtors estimate that there will be  
2 over 1,200,000 unexpired options held by eleven holders.

### 3 **6.13.2 Interests (Option Holders) – Treatment.**

4 For purposes of Distribution under the Plan, the Allowed Interests of the holders of ATI's  
5 common stock will include, and be limited to, the holders of record on the Record Date, any  
6 transfers thereafter notwithstanding. Accordingly, after the Record Date, Interest holders of  
7 unexercised options will not receive any Distributions under the Plan. Any unexercised options as of  
8 the Record Date will be cancelled.

9 CLASS 12 IS IMPAIRED AND THE HOLDERS OF ALLOWED INTERESTS IN CLASS  
10 12 ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.

## 11 ARTICLE VII.

### 12 **IMPLEMENTATION OF THE PLAN OF LIQUIDATION**

#### 13 **7.1 Substantive Consolidation.**

14 Upon the Effective Date, the Bankruptcy Estates of ATI, Aviza and TTI will be deemed  
15 substantively consolidated for purposes of administration, liquidation of assets, as well as  
16 Distributions to Creditors under the Plan.

#### 17 **7.2 Administrative Convenience.**

18 The Plan provides to certain holders of Allowed Timely Filed Unsecured Claims, the election  
19 to receive treatment under Class 8. Due to the number and aggregate amount of potential Allowed  
20 Class 8 Claims, in addition to the expected, extended liquidation of assets and collection of  
21 receivables over an uncertain period of time, the Debtors believe that the creation of a class of  
22 Administrative Convenience Claims, and treatment therefor under the Plan, will preserve significant  
23 Estate resources which otherwise would be expended towards administering such Claims.  
24 Treatment of Allowed Administrative Convenience Claims is set forth in Subsection 6.9.2 above.

#### 25 **7.3 Financial Information.**

26 The Debtors' monthly operating reports containing financial information are on file with the  
27 Bankruptcy Court and will be provided to Creditors and other parties in interest upon request. The

28 <sup>18</sup> All warrants in ATI have expired.

Debtors will continue to file monthly operating reports with the Bankruptcy Court through the date of Court approval of the Plan.

#### 7.4 Continuing Effect and Performance of Existing Orders.

The Bankruptcy Court has entered various orders during the pendency of these cases which will remain in effect notwithstanding confirmation of the Plan, and the Reorganized Debtors will continue to carry out the matters provided for in such orders. Without limitation, these orders include the following matters.

##### 7.4.1 Cash Collateral.

The Court has previously entered certain orders concerning the use of cash collateral. All such orders will continue in full force and effect notwithstanding confirmation of the Plan. Among other things, the orders have authorized and continue to authorize the use of cash collateral for purposes of liquidating the Debtors' remaining assets (discussed below) pursuant to a budget approved by the Banks. As discussed above, the Cash Collateral Budget attached hereto as **Exhibit "A"** sets forth the Debtors' anticipated budget through December 2010. The Cash Collateral Order, *inter alia*, provides that the Banks have agreed to subordinate their Claims and liens to the payment of "(i) all statutory fees of the Court and the United States Trustee; (ii) the expenses of the Committee members not to exceed in the aggregate \$2,500 per month; (iii) allowed fees and expenses of the Debtors' and the Committee's professionals; and (iv) the compensation and expense reimbursement (other than professional fees and expenses) of a trustee in any superseding Chapter 7 case."

##### 7.4.2 Sales of Assets.

The Purchase Transaction. As discussed above, the Court previously entered orders with respect to the sale of certain of the Debtors' assets to SPP both confirming the Sale and authorizing the Debtors to assume and assign to SPP certain executory contracts. These orders will remain in full force and effect and will not be modified by the Plan. Among other things, the Sale Order authorizes the Debtors to "[f]ully assume, perform under, consummate and implement the terms of the Purchase Agreement together with any and all additional instruments and documents that may be reasonably necessary or desirable to implement and effectuate the terms of the Purchase Agreement,

1 [the Sale Order] and the sale of the Purchased Assets contemplated thereby, and to take all further  
2 actions as may reasonably be requested by the Buyer (or that may otherwise be necessary or  
3 appropriate) for the purpose of assigning, transferring, granting, conveying and conferring to the  
4 Buyer, or reducing to possession, any or all of the Purchased Assets or Assumed Liabilities, or to  
5 carry out the terms of [the Sale Order], in each case without any further corporate action or orders of  
6 this Court.” [Sale Order, at Para. 5]. Nothing in the Plan or this Disclosure Statement is intended to  
7 conflict with or derogate from the provisions of the Sale Order or the Purchase Agreement. In the  
8 event that any provision of the Plan or this Disclosure Statement conflicts with the Sale Order or the  
9 Purchase Agreement, the Sale Order or the Purchase Agreement, as applicable, shall control.

10 Low-K Patents. As discussed above, the Court’s Low-K Patents Order authorized and  
11 approved the sale of certain patents to AMAT. As with the Sale Order, the Low-K Patents Order  
12 remains in full force and effect and will not be modified by the Plan. It also includes language  
13 similar to the above-referenced language in the Sale Order which authorizes the Debtors to  
14 consummate and implement the terms of the purchase agreement with AMAT. [Low-K Patents  
15 Order, at Para. 4].

16 Disposition of Certain Fixed Assets and Equipment. The Excess Equipment Order entered  
17 on September 30, 2009 by the Bankruptcy Court established certain protocols for the sale of certain  
18 fixed assets and equipment. Specifically, the Excess Equipment Order authorizes the Debtors, *inter*  
19 *alia*, to sell certain assets and equipment via private sale upon two business days’ notice to counsel  
20 for the Banks and the Committee. Such assets include the Debtors’ laboratory equipment, machine  
21 shop tools and other miscellaneous fixed assets (i.e., the Excess Equipment Assets). The order also  
22 authorizes the Debtors to abandon Excess Equipment Assets that are burdensome to the Bankruptcy  
23 Estates or that have inconsequential value as determined by the Debtors in the exercise of their  
24 reasonable business judgment and upon two business days’ notice to counsel for the Banks and the  
25 Committee. The terms of the Excess Equipment Order will remain in effect and will govern the  
26 Reorganized Debtors’ sale and disposition of Excess Equipment Assets.

#### 27 7.5 Liquidation of Remaining Assets.

28 A summary of the Debtors’ remaining assets is provided below in Section 7.8. The

1 Reorganized Debtors (through the Responsible Person) will continue to liquidate remaining assets as  
2 appropriate, unless the Responsible Person determines that any asset is of inconsequential value or  
3 that the cost of liquidating such asset would exceed the expected amount of proceeds. The Excess  
4 Equipment Order will govern the procedure for liquidation and/or abandonment of the Excess  
5 Equipment Assets. With respect to assets not subject to the Excess Equipment Order, approval of  
6 the Bankruptcy Court will not be required for the sale or other disposition of any such remaining  
7 assets; provided, however, that the Reorganized Debtors will comply with the Notice Procedure  
8 before selling the Scotts Valley Property and the ALD Product Line, and before selling or  
9 abandoning any other asset with a fair market value in excess of \$5,000 which is not an Excess  
10 Equipment Asset.

11 In addition to collecting cash from the promissory notes included in the Purchase Transaction  
12 and from the wind down of and upstreaming by direct and indirect subsidiaries, the Debtors and/or  
13 the Reorganized Debtors will liquidate the Bankruptcy Estates' assets and collect and/or prosecute  
14 all of their claims, including Retained Claims, the cash proceeds of which will be added to the  
15 Available Cash. Except as otherwise provided herein or in the Plan, all Available Cash shall be held  
16 in trust by the Reorganized Debtor or the Disbursing Agent, as applicable for the holders of Allowed  
17 Claims and Allowed Interests entitled to Distributions under the Plan and will not be deemed for any  
18 purpose as personal assets of any Disbursing Agent. The costs of liquidation will be paid in  
19 accordance with the Cash Collateral Order. At the end of each month, the Reorganized Debtors will  
20 report to counsel for the Committee and counsel for the Banks, any variance between the Cash  
21 Collateral Budget for that month in terms of receipts and expenditures. If expenses are greater than  
22 the budgeted amounts for a particular month, the Banks will receive less than the amount budgeted  
23 for that month. If the net amount received for a particular month exceeds the amount estimated in  
24 the budget, the excess funds will be payable to the Banks and/or to holders of Allowed  
25 Administrative Claims and Allowed Priority Claims as provided by the Plan. Once these Allowed  
26 Claims are paid in full, the Reorganized Debtors will commence Distributions to other creditors  
27 pursuant to the priorities established by the Bankruptcy Code as provided by the Plan.

28 ///

1                   7.6     **Liquidation Programs.**

2                   **7.6.1     Commission Program.**

3             Prior to the Petition Date, the Debtors established the Commission Program, which provides  
4     for a 5% commission on sales of certain assets. The costs of the Commission Program, including the  
5     5% commission, are accounted for in the Cash Collateral Budget. The Commission Program  
6     remains in place presently and will continue in effect after Confirmation of the Plan.

7                   **7.6.2     Liquidation Incentive Program.**

8             Separate from the Commission Program, in an effort to maximize efficiency during the  
9     Debtors' liquidation of assets, the Plan implements the Liquidation Incentive Program which  
10    provides for deferred compensation to certain employees of the Reorganized Debtors to act in the  
11    place of a liquidating agent on behalf of the Reorganized Debtors. Due to the complex and technical  
12    nature of the Company's operations and products, in addition to its extensive geographical reach and  
13    customer base, the employees of the Reorganized Debtors are in the optimal position to market and  
14    liquidate the Company's remaining assets (discussed in greater detail below in Section 7.8). The  
15    Liquidation Incentive Program proposes commission payments (in addition to those provided by the  
16    Commission Program) based on the remaining assets to be liquidated as specified by the program.  
17    The Debtors believe that the Liquidation Incentive Program will encourage existing employees to  
18    remain with the Company to assist with the liquidation of its assets, notwithstanding its imminent  
19    closure. Such assets may include accounts receivables and inventory returned by SPP after the  
20    maturity of the non-recourse promissory note pursuant to the Purchase Transaction, as discussed  
21    below in Subsection 7.8.2. The alternative - an outside, third-party liquidator - likely would produce  
22    far less desirable returns at a higher cost to the Estates (estimated at a 20% commission for all sales).

23             The Liquidation Incentive Program will be calculated based on the Liquidation Incentive  
24    Accruals which are comprised of a percentage of the proceeds of the sales of the Debtors' assets, as  
25    follows:<sup>19</sup>

- 26             a.       5% of the proceeds from the sale of the ALD Product Line;

27             \_\_\_\_\_  
28             <sup>19</sup> As discussed above, the amounts below are in addition to the 5% payable pursuant to the existing  
Commission Program.

- 1           b.       5% of the proceeds from the sale of Excess Equipment Assets;
- 2           c.       7% of the proceeds from the sale of Obsolete Inventory (which includes, for example,
- 3 unused or excess inventory as well as certain demonstration equipment); and
- 4           d.       10% of the proceeds from the sale of miscellaneous expensed items (which include,
- 5 for example, expensed materials, tools and supplies).

6           The Liquidation Incentive Program also includes the Budgetary Savings Component as

7 follows: 20% of the actual monthly amount in expenditures which is less than the amount allocated

8 for each respective month for the Debtors' domestic operations in the Cash Collateral Budget (i.e.,

9 the difference between actual expenditures and allocated expenditures set forth in the Cash

10 Collateral Budget, calculated on a monthly basis), but excluding the fees of the Debtors'

11 Professionals, the fees of the Committee's Professionals, costs charged by the Bankruptcy Court

12 related to the Cases, costs incurred for mailings in the Cases, and administrative fees charged by the

13 Banks.

14           The Liquidation Incentive Program will commence on the Effective Date and apply to all

15 transactions described above that occur following the Effective Date. The proceeds of the

16 Liquidation Incentive Program will be calculated upon the occurrence of any of the above

17 transactions, and will be accrued as a post-Confirmation obligation of the Reorganized Debtors.

18 Other than payments from the Commission Program, no payments will be made to eligible

19 employees until all Allowed Secured Claims, Priority Claims, Tax Claims and Administrative

20 Convenience Claims are paid (or reserved for) in full. Until such time as the Allowed Secured

21 Claim of the Banks is paid in full, the Reorganized Debtors will not reserve for or segregate any

22 proceeds accrued pursuant to the Liquidation Incentive Program.

23           At such time as (1) all Allowed Secured Claims, Priority Claims, Tax Claims and

24 Administrative Convenience Claims have been paid or reserved for, and (2) the Reorganized Debtors

25 have distributed (or reserved, in the instance of any Disputed Claims) \$1.0 million on account of

26 Allowed Claims in Class 9, the first installment of the Liquidation Incentive Accruals<sup>20</sup> in the

27           <sup>20</sup> The amounts earned under the Commission Program are included in the notification procedure established by

28 the Excess Equipment Order. Similarly, the Liquidation Incentive Accruals will be included in such notification procedure.

amount of \$25,000 will be immediately payable. Thereafter, at each successive time when the Reorganized Debtors have distributed (or reserved, in the instance of Disputed Claims) an additional \$1.0 million on account of Allowed Claims in Class 9, additional installments will be immediately payable in accordance with the following table:

<b>Amount Distributed or Reserved</b>	<b>Accrued Amount Payable</b>
\$1,000,000	\$25,000
\$2,000,000	\$50,000
\$3,000,000	\$75,000
\$4,000,000	\$125,000
\$5,000,000	\$200,000
\$6,000,000	\$275,000
\$7,000,000	\$350,000
\$8,000,000	\$400,000

The payment schedule outlined in the above table will continue so that for each \$1.0 million that the Reorganized Debtors have distributed or reserved beyond \$8.0 million on account of Allowed Claims in Class 9, additional increments of \$75,000 of Liquidation Incentive Accruals will be immediately payable. Stated differently, when the Reorganized Debtors have distributed (or reserved) a total of \$9.0 million on account of Allowed Claims in Class 9, another \$75,000 from the Liquidation Incentive Accruals will be immediately payable. Subsequently, when the Reorganized Debtors have distributed (or reserved) a total of \$10.0 million on account of Allowed Claims in Class 9, another \$75,000 from the Liquidation Incentive Accruals will be immediately payable, and so on.

At such time as all Allowed Secured Claims, Priority Claims, Tax Claims and Administrative Convenience Claims have been paid or reserved for, the amounts accrued in the Budgetary Savings Component shall all be immediately payable, subject to the procedure described in the last paragraph of this Subsection 7.6.2.

The Liquidation Incentive Accruals and the Budgetary Savings Component will be allocated as determined by the Responsible Person based in proportion on the salary of each participating

1 employee as well as the participating employee's level of involvement (e.g., performance,  
2 responsibility and time committed) notwithstanding whether the employee is still employed by the  
3 Reorganized Debtors at the time of such allocation. Eligibility to participate in the Liquidation  
4 Incentive Program shall be determined by the Responsible Person.

5 In addition, at such time as all Allowed Claims of Creditors have been paid in full (with  
6 interest) or reserved for, the amount of the Liquidation Incentive Supplement (defined in the Plan as  
7 15% of any remaining Available Cash after payment in full with interest on, or reservation for, all  
8 Allowed Claims of Creditors) shall be immediately payable, subject to the procedure described in  
9 described in the last paragraph of this Subsection 7.6.2. The Liquidation Incentive Supplement will  
10 be allocated as determined by the Responsible Person based in proportion on the salary of each  
11 participating employee as well as the participating employee's level of involvement (e.g.,  
12 performance, responsibility and time committed). Eligibility to participate in a Liquidation Incentive  
13 Supplement shall be determined by the Responsible Person.

14 In the event that, pursuant to a motion of the Creditors' Committee, the Bankruptcy Court  
15 enters an order removing the Responsible Individual and appointing a liquidating agent, as discussed  
16 below at Section 7.11, any unpaid amounts that have accrued pursuant to the Liquidation Incentive  
17 Program as of the date of entry of such order will be immediately payable; provided, however, that  
18 there is sufficient cash to pay all accrued administrative expenses then due at that time.

19 Prior to making any payments from the Budgetary Savings Component or the Liquidation  
20 Incentive Supplement, the Reorganized Debtors will serve written notice to the Notice Parties of the  
21 proposed payments, including an accounting of the amounts to be paid (i.e., a summary of budget  
22 savings or Available Cash and the associated percentage applied pursuant to the Liquidation  
23 Incentive Program). The Reorganized Debtors will be authorized to make all such proposed  
24 payments fifteen (15) days after service of such notice unless, before the expiration of such fifteen  
25 (15)-day period, any Notice Party has filed an objection to such proposed payments with the  
26 Bankruptcy Court and scheduled a hearing on such objection within thirty (30) days after the filing  
27 of such objection, with proper notice to the Reorganized Debtors. Objections may only be filed as to  
28 the calculation of the proposed payment (and not to the Reorganized Debtors' right and discretion to

1 make such payment). If any such objection is filed, the Reorganized Debtors will not make payment  
2 of any amount in dispute from the Budgetary Savings Component or the Liquidation Incentive  
3 Supplement unless the Bankruptcy Court enters an order approving such payment or the objection is  
4 withdrawn.

#### 5 7.7 **Wind Down of Subsidiaries.**

6 Upon performance of their obligations in connection with the Purchase Transaction, the  
7 Debtors intend to wind down and close their subsidiaries with any funds remaining after satisfaction  
8 of the claims, taxes and closure costs of same to be upstreamed to the Reorganized Debtors. The  
9 Debtors expect that such wind down of their subsidiaries will result in a net increase to the Estates'  
10 assets. The Plan provides that the Reorganized Debtors, through the Responsible Person, will have  
11 full authority to take any action as may be reasonably necessary to carry out or implement the wind  
12 down of the Debtors' direct and indirect subsidiaries.

#### 13 7.8 **The Debtors' Remaining Assets.**

##### 14 7.8.1 **Cash.**

15 As of December 25, 2009, the Debtors had cash on hand of approximately \$1.2 million. As  
16 discussed above, the use of cash is subject to the Cash Collateral Budget until such time as the Banks  
17 Allowed Secured Claim is paid in full.

##### 18 7.8.2 **Collection on Promissory Notes.**

19 As set forth above, the Debtors were issued a secured recourse and a secured non-recourse  
20 promissory note in connection with the Purchase Transaction. The recourse promissory note has an  
21 aggregate principal amount of \$10.0 million, bears interest at the prime rate, and matures on April  
22 16, 2011. It is secured by the purchased accounts receivable and inventory and certain purchased  
23 intellectual property included in the Purchase Transaction, and it is subject to mandatory monthly  
24 prepayments of principal to the extent that SPP's collection of accounts receivable and sales of  
25 inventory securing the note, subject to certain adjustments, exceeds \$10.0 million. In addition, it is  
26 guaranteed by SPP.

27 The non-recourse promissory note will be payable upon the sale of inventory and collection  
28 of accounts receivable that are identified as part of the Purchased Assets. It had an initial aggregate

1 principal amount of approximately \$28.7 million, based upon the purchased inventory and accounts  
2 receivable value, does not bear interest, and matures on April 16, 2011. It is secured by the  
3 purchased accounts receivable and inventory, is subject to mandatory monthly prepayments of  
4 principal to the extent that SPP's collection of accounts receivable and sales of inventory securing  
5 the note, as adjusted, exceeds \$20.0 million. The non-recourse promissory note, which does not  
6 include a guaranty, provides that on its maturity date, SPP will have the option to either repay the  
7 outstanding principal amount of the non-recourse note in full or to return any remaining, uncollected  
8 accounts receivable and unsold inventory to the Debtors and/or the Reorganized Debtors. The non-  
9 recourse promissory note will be payable upon the sale of inventory and collection of accounts  
10 receivable that are identified as part of the Purchased Assets. To the extent SPP returns any accounts  
11 receivable and unsold inventory to the Reorganized Debtors, the Reorganized Debtors will liquidate  
12 these assets, and the proceeds will be added to Available Cash to fund the Plan. While the amount  
13 of net proceeds the Reorganized Debtors will receive from liquidation of these assets is dependent  
14 on the amount of assets available for liquidation (i.e., returned by SPP), the Reorganized Debtors  
15 believe such proceeds could aggregate to between \$3.0 million to \$4.8 million.

### 16 **7.8.3 Real Estate.**

17 The Debtors have a 100% fee simple interest in the Scotts Valley Property and the  
18 manufacturing facilities thereon. In 1990, the property was designated a Superfund site by the  
19 Environmental Protection Agency (the "EPA"), which made a determination that the responsible  
20 party (the "Responsible Party") for the remediation of the property was a certain previous owner or  
21 owners. The Debtors' preliminary internal clean-up of the property to bring it into compliance has  
22 concluded. The Debtors are also in the process of taking the appropriate actions to clear and close  
23 out the government permits on the property's facilities which the Debtors anticipate will conclude in  
24 or around May 2010, and a third-party has been retained to assist with this process. The Debtors  
25 estimate these costs to be between \$500,000 and \$1.0 million. The Cash Collateral Budget allocates  
26 amounts for the Debtors' costs incurred in connection with issues pertaining to the remediation of  
27 the property. The Debtors intend to continue to cooperate with the EPA and the Responsible Party  
28 to the extent necessary, to further the Responsible Party's efforts to fully remediate the property and

1 remove the Superfund designation. While the Debtors do not believe they are at risk of any liability  
2 related to the clean-up of the Scotts Valley Property, the property is covered by insurance which  
3 protects the Debtors from liability.

4 To the extent the Debtors incur any costs or damages in relation to the remediation of the  
5 Scotts Valley Property which the Debtors determine are the responsibility of the Responsible Party,  
6 any claim based upon such responsibility, including any claims for indemnification, will constitute a  
7 Retained Claim against the Responsible Party.

8 Meanwhile, the Debtors have marketed the property through their real estate broker, Matthew  
9 Shelton, dba J.R. Parrish-Santa Cruz, whose terms and conditions of employment were approved by  
10 the Court on July 17, 2009. The Debtors recently have executed a letter of intent for the purchase of  
11 the Scotts Valley Property with a potential purchaser, and they hope to close a sale in the second half  
12 of 2010.

#### 13 **7.8.4 Top Hat Funds.**

14 As discussed above, prior to the Petition Date, the Debtors established the Top Hat Plan  
15 whereby the Debtors promised to pay certain employees deferred compensation at a future time. In  
16 accordance with the Top Hat Plan, compensation otherwise payable to participating employees was  
17 deposited into a trust established by the Top Hat Plan. Generally, pursuant to certain deferred  
18 compensation plans such as the Top Hat Plan, participating employees benefit from deferring  
19 compensation to a future date and therefore are not taxed on such compensation when first earned.  
20 Such plans provide that the funds remain general assets of the sponsoring company and upon a  
21 company's insolvency, such funds are available to satisfy the claims of creditors. Thus, in the event  
22 of a company's insolvency, employees with funds in the account are treated the same as general  
23 unsecured creditors and receive Pro Rata payment along with other general unsecured creditors.<sup>21</sup>

24 <sup>21</sup> Section 3.2 of the Top Hat Plan, titled "Cessation of Benefit Payments" provides, *inter alia*, as follows:  
25 If at any time Trustee has determined that one of the Participating Employers has become Insolvent, the Trustee  
26 shall discontinue payments from the Trust . . . to the extent such employees' benefits correspond to assets of the Trust  
27 contributed by such participating Employer. Further, the Trustee shall segregate the assets of the Trust attributable to  
28 such Participating Employer's participants (the "Affected Assets") and continue to hold the Affected Assets in trust for  
the benefit of the Participating Employers general creditors until the Trustee receives a court order directing the  
disposition of such assets. Nothing in this Trust Agreement shall in any way diminish any rights of Plan participants or  
their beneficiaries to pursue their rights as general creditors of the Participating Employer with respect to benefits due  
under the Plan or otherwise. Trustee shall resume the payment of benefits to or on behalf of Plan participants who are or

1 In the instant case, employees ceased deferring compensation into the Top Hat Plan in or  
2 about December 2008. Employees terminated before the within Cases were commenced were paid  
3 their deferred compensation in accordance with the terms of the Top Hat Plan. As of the Petition  
4 Date, four employees remained invested in the Plan, with the largest holder being the Responsible  
5 Person and Chief Executive Officer, Patrick O' Connor. As of the Petition Date, approximately  
6 \$245,000 of the Top Hat Funds still remain in their segregated trust accounts.

7 Notwithstanding whether the Company was insolvent at any time, the Plan provides that the  
8 remaining employees will retain their rights under the Plan and the Top Hat Funds will be payable to  
9 those employees who deferred compensation into the Top Hat Plan which have not yet been paid.  
10 While Creditors in Class 9 may be paid in full, the Debtors' current estimate is that Distributions to  
11 Class 9 will be between 10% and 69%. Accordingly, the treatment of Top Hat Claims in the Plan  
12 could allow the holders of the Top Hat Claims to receive more than general unsecured Creditors in  
13 Class 9. That is, if general unsecured Creditors receive less than 100% payment, the holders of the  
14 Top Hat Claims, by retaining their rights under the Top Hat Plan, may receive more of their Allowed  
15 Claim by retaining their rights under the Top Hat Plan. The cost of administering the Top Hat Plan  
16 will be borne by those with funds in the plan, and therefore the actual amount to be distributed to  
17 each holder of an Allowed Top Hat Claim is currently unknown.

#### 18 **7.8.5 Retained Claims.**

19 Retained Claims are defined in the Plan, and include, without limitation, (a) all claims  
20 against current or former insiders, officers, directors and employees of the Debtors; (b) all claims  
21 against Creditors of the Debtors or counterparties to executory contracts with the Debtors; (c) all  
22 claims against all Persons whose alleged liens attached to the proceeds of any of the Sales  
23 Transactions or other sale of assets; (d) Avoidance Actions defined in the Plan to mean causes of  
24 action of the Debtors under Chapter 5 of the Bankruptcy Code; (e) all claims for indemnification or  
25 other damages related to the clean-up of the Scotts Valley Property; and (f) the specific Retained  
26 Claims discussed below in Subsection 8.1.2.

27  
28 were employees of such Participating Employer in accordance with Article II of this Trust Agreement on the date [that]...  
Trustee has determined that the Participating Employer is not Insolvent (or is no longer Insolvent) . . .

1 Except as provided by this Subsection 7.8.5, the Reorganized Debtors will collect and  
2 prosecute all of the Retained Claims. The Responsible Person will consult with the Creditors'  
3 Committee with respect to the prosecution of (or decision not to prosecute) Retained Claims on  
4 behalf of the Reorganized Debtors. Should the Responsible Person decide not to prosecute a  
5 particular Retained Claim, the Creditors' Committee may prosecute such matter on behalf of the  
6 Reorganized Debtors. The Creditors' Committee may challenge any determination by the  
7 Reorganized Debtors to prosecute any Retained Claim upon motion after notice provided in  
8 accordance with the Notice Procedure.

9 The Creditors' Committee will be appointed as representative of the Estates pursuant to  
10 Section 1123 of the Bankruptcy Code with respect to the prosecution and liquidation of any Retained  
11 Claim against current or former insiders, officers, directors and employees of the Debtors, if any.  
12 The terms of employment of any professional retained by the Creditors' Committee relative to  
13 Retained Claims will be subject to the Notice Procedure.

14 Approval of the Bankruptcy Court will not be required for the settlement or other resolution  
15 of any Retained Claims; provided that the Reorganized Debtors comply with the Notice Procedure  
16 before settling or resolving any Retained Claim where the amount at issue exceeds \$10,000.

#### 17 **7.8.6 Other Personal Property Assets.**

18 The Debtors' primary remaining personal property assets available for liquidation are  
19 described as follows:

20 ALD Product Line. The ALD Product Line is the Debtors' primary remaining intellectual  
21 property asset and includes all patents, technology and inventory related to the Debtors' atomic layer  
22 deposition technology.

23 Excess Equipment Assets. This category includes the Debtors' laboratory equipment,  
24 testing equipment, machine shop tools and other tangible fixed assets. The sale of Excess  
25 Equipment Assets is governed by the Excess Equipment Order.

26 Miscellaneous Supplies. This category includes the Debtors' materials, supplies and other  
27 miscellaneous, expensed assets.

28 Obsolete Inventory Assets. This category includes inventory such as the Debtors' unused

1 or excess inventory as well as certain demonstration equipment sold through the normal course of  
2 the Debtors' business.

3                   7.9     **Other Assets.**

4             All other remaining assets of the Debtors will be liquidated or, to the extent of  
5 inconsequential value, abandoned, and may include, but are not limited to, the following: (a) all  
6 rights under all contracts that have not been assumed and assigned to the Purchaser; (b) all rights to  
7 proceeds under any director and officer liability insurance policies of the Debtors; (c) all assets  
8 maintained pursuant to or in connection with any employee benefit plan (excluding the Top Hat Plan  
9 which is provided for in Class 7 of the Plan); (d) any Equity Securities of any other issuer owned by  
10 the Debtors and any notes receivable issued by any shareholder of the Company in connection with  
11 the exercise of the Company's stock options; (e); any and all rights under the Purchase Agreement;  
12 (f) outdated inventory that the Reorganized Debtors may sell in the ordinary course of their business;  
13 and (g) additional assets excluded from the Purchase Transaction as may be set forth more fully at  
14 Section 2.2 and in Schedule 2.2(j) of the Purchase Agreement.

15                   7.10   **Distributions.**

16                           **7.10.1 Segregated Account.**

17             If the Disbursing Agent is a Person other than the Reorganized Debtors (see Section 7.13  
18 below), the Disbursing Agent shall hold any funds transmitted to it in a segregated interest bearing  
19 trust account for the benefit of holders of Allowed Claims.

20                           **7.10.2 Timing.**

21             Timing is as specified in the specific Classes as provided by Article VI herein. After  
22 payment in full of (or reserve for) Allowed Claims in Classes 1 through 6 and Class 8, and payment  
23 of (or reserve for) the Liquidation Incentive Accruals as provided by the Plan, the Disbursing Agent  
24 will make a Distribution to holders of Allowed Claims in Classes 9 through 11 as soon as reasonably  
25 practicable as provided by the Plan. Thereafter, the Disbursing Agent will make a Distribution each  
26 calendar quarter unless otherwise agreed upon between the Reorganized Debtors and the Creditors'  
27 Committee or ordered by the Bankruptcy Court upon motion after notice provided in accordance  
28 with the Notice Procedure; provided, however, that no Distribution (other than the final Distribution)

1 will be required if the amount to be distributed is less than \$250,000. There will be no Distribution  
2 to holders of Class 11 Interests until all Allowed Claims of Creditors are paid in full (with interest at  
3 the applicable rate as provided by the Plan) or appropriately reserved for otherwise, as provided by  
4 the Plan.

5 As discussed above, due to the nature of the Purchased Assets included in the Purchase  
6 Transaction, the full value of the Sale Proceeds are contingent upon various factors, including, *inter*  
7 *alia*, certain promissory notes, the value of which will not be realized for at least 18 months from the  
8 Purchase Transaction and the wind down of the Debtors' subsidiaries which the Debtors estimate  
9 may require over two (2) years. The timing of Distributions to holders of Allowed Claims will be  
10 affected accordingly.

#### 11 7.11 **Responsible Person.**

12 As set forth above, Patrick C. O'Connor was appointed as the Responsible Person for the  
13 Debtors. Mr. O'Connor shall remain the Responsible Person to administer the Plan and shall  
14 manage the Reorganized Debtors and have all of the authority to act on behalf of the Reorganized  
15 Debtors as if the Responsible Person was the sole officer and director of the Reorganized Debtors.  
16 Such management shall include: (a) fulfilling the duties and obligations of the Reorganized Debtors  
17 under the Plan; (b) fully administering the Bankruptcy Estates as required by the Plan, the Order of  
18 Confirmation, the Bankruptcy Code and the Bankruptcy Rules; and (c) taking such further action as  
19 may be reasonably necessary to carry out or implement the terms of the Plan. Without limiting the  
20 foregoing, the Responsible Person, acting on behalf of the Reorganized Debtors, will have all of the  
21 rights and powers of an estate representative appointed pursuant to Section 1123(b)(3) of the  
22 Bankruptcy Code to prosecute or otherwise assert the Retained Claims, including any Avoidance  
23 Actions.

24 The Responsible Person may resign at any time, or may be removed for cause upon motion  
25 by any party in interest to the Bankruptcy Court with notice to the Notice Parties. In the event the  
26 Responsible Person voluntarily resigns, a new Responsible Person will be appointed by the  
27 Bankruptcy Court upon nomination by the existing Responsible Person, following notice provided in  
28 accordance with the Notice Procedure. If replaced as the Responsible Person, such Person shall

1 turnover all of his or her books and records to the new Responsible Person.

2       The Responsible Person may, in his or her discretion and pursuant to the Notice Procedure,  
3 employ such other persons as may be necessary to assist him or her in this Case.

4       As the Responsible Person, Mr. O'Connor will be compensated at the same salaried rate as is  
5 his pre-petition salaried rate which amounts to \$180 per hour; provided, however, that the actual  
6 compensation paid will be pro-rated for the amount of time actually worked by Mr. O'Connor. Mr.  
7 O'Connor will also receive the compensation earned pursuant to the Liquidation Incentive Program.  
8 Any proposed addition to or increase in Mr. O'Connor's compensation following the Effective Date  
9 will be subject to approval as provided at Section 7.12 below. Additional terms of employment of  
10 the Responsible Person will be set forth in the Order of Confirmation or a subsequent order of the  
11 Bankruptcy Court. The compensation payable to any successor Responsible Person shall be  
12 determined by the Bankruptcy Court pursuant to the Notice Procedure. Unless ordered by the  
13 Bankruptcy Court, the Responsible Person shall serve without a guaranty or fiduciary bond.

14       Any proposed action involving a transaction with the Responsible Person in his individual  
15 capacity will be brought by motion with notice to the Notice Parties and set for actual hearing before  
16 the Bankruptcy Court. Unless otherwise required under the Bankruptcy Code or Bankruptcy Rules,  
17 any such motion, notice of the hearing, supporting declarations, memoranda, and all other papers  
18 will be filed and served on the Notice Parties at least 21 days before the actual scheduled hearing  
19 date. Any opposition to the requested relief will be filed and served on the initiating party no less  
20 than 7 days before the actual scheduled hearing date.

21       The Creditors' Committee shall be authorized to bring a motion before the Bankruptcy Court  
22 to remove the Responsible Individual and replace him/her with a liquidating agent on at least 15  
23 days' notice to the Notice Parties. Cause for such a motion shall be evidence that recoveries and  
24 Distributions to Creditors are close to, or are exceeded by, the accrual of operating expenses,  
25 salaries, bonuses, professional fees, and any other costs of the Reorganized Debtors.

#### 26               7.12    **Other Employees**

27       Presently, the Debtors have a staff of 14 people consisting of four (4) in Accounting/Finance,  
28 five (5) in Facilities, two (2) in Administration, two (2) in Payables/Claims, and one (1) in Asset

1 Sales, which will continue through February 2010. The Debtors anticipate the gradual reduction of  
2 their staff based on the need for each employee throughout the duration of the Cases.<sup>22</sup>

3 The Debtors' payroll is forecasted every two weeks (with three pay periods in January and  
4 July 2010). Pursuant to the Plan, compensation will be made to all employees at their regular, pre-  
5 petition salary rates, although actual payroll will be pro-rated for the amount of time actually worked  
6 by each employee.<sup>23</sup> Employees will continue to receive the same employee benefits received pre-  
7 Confirmation. Eligible employees will also receive the compensation earned pursuant to the  
8 Liquidation Incentive Program. Any proposed addition to or increase in any employee's  
9 compensation, other than as provided by the Plan, shall be subject to approval of the Banks (until the  
10 Allowed Claim of the Banks is paid in full) and the Creditors' Committee (until Allowed Claims of  
11 the Creditors are paid in full) and in the absence of such approval, order of the Bankruptcy Court  
12 following notice provided in accordance with the Notice Procedure.

13 7.13 **Disbursing Agent.**

14 No later than two weeks prior to the Confirmation Hearing, the Debtors may propose a  
15 Person other than the Reorganized Debtors to serve as Disbursing Agent. Employment of such  
16 Disbursing Agent will be on such terms as are set forth in the Order of Confirmation or a subsequent  
17 order of the Bankruptcy Court entered not less than fifteen (15) days after filing and service on the  
18 Notice Parties of an application for approval of such terms, pursuant to the Notice Procedure. In the  
19 event that the Debtors do not propose any Person to serve as Disbursing Agent, the Responsible  
20 Person will serve as the Disbursing Agent. Unless ordered by the Bankruptcy Court, the Disbursing  
21 Agent shall serve without a guaranty or fiduciary bond. The Disbursing Agent's compensation shall  
22 be subject to approval by Bankruptcy Court order.

23 ///

24  
25 <sup>22</sup> The Cash Collateral Budget includes amounts for employee compensation based on projected reduction of  
26 staff. The Debtors anticipate that, due to a delay in SPP vacating the premises on the Scotts Valley Property, they will  
27 need to retain certain employees for longer than expected and therefore, that there will be a delay in staff reduction.  
However, SPP is reimbursing the Debtors for the costs of such delay, and therefore, the amounts projected for employees  
in the Cash Collateral Budget are not anticipated to materially alter the net cash required.

28 <sup>23</sup> Several of the Debtors' employees have also filed Claims, including Priority Claims, in the Bankruptcy  
Cases. The Creditors' Committee will review such Claims and, should the Creditors' Committee believe an objection is  
appropriate, the Creditors' Committee will have the responsibility for filing and prosecuting such objection.

1                   7.14    **Tax Returns and Payments.**

2           The Reorganized Debtors shall file or cause to be filed any and all delinquent and final tax  
3 returns and pay any and all taxes owed by the Debtors and the Reorganized Debtors on a timely  
4 basis (other than Tax Claims which are to be paid pursuant to the Plan). With respect to Allowed  
5 Claims based on accrued real property taxes assessed against and secured by the Scotts Valley  
6 Property, such Claims will be paid with interest and penalties as may be Allowed, after such  
7 property is sold.

8                   7.15    **Exemption From Certain Transfer Taxes.**

9           Following Confirmation, any sales or transfers will be, to the fullest extent permitted by law,  
10 entitled to the exemptions provided for under and to the fullest extent permitted by Section 1146(a)  
11 of the Bankruptcy Code. The Debtors reserve all rights to request a determination of legal questions  
12 related to the tax effects of the Plan as appropriate under Section 1146(b) of the Bankruptcy Code.

13                   7.16    **Termination of Employee Benefit Plans.**

14           Unless provided otherwise in the Purchase Agreement or by order of the Bankruptcy Court,  
15 the Reorganized Debtors will fulfill all responsibilities relative to the termination of their employee  
16 benefit plans at such time as all employees are terminated, including any distributions required  
17 therefrom, and will pay the costs related thereto; provided, however, that the costs of administering  
18 the Top Hat Plan will be borne by the Top Hat Funds. For the period that the Reorganized Debtors  
19 retain employees, the Reorganized Debtors will be authorized to continue all employee benefit plans  
20 that existed as of the Petition Date, as may be modified as appropriate based on the reduced number  
21 of employees.

22                   7.17    **Cancellation of Legal Entities.**

23           Pursuant to the provisions of the Delaware General Corporation Law, the Reorganized  
24 Debtors will be dissolved and their corporate existence terminated, without further corporate action,  
25 upon the entry of a Final Decree in the Bankruptcy Cases pursuant to Bankruptcy Rule 3022. The  
26 Order of Confirmation will be deemed the appropriate authorization required under the Delaware  
27 General Corporation Law, authorizing the Responsible Person to file the requisite certificates of  
28 dissolution and certificates of cancellation with the Delaware Secretary of State together with any

1 other filings that may be necessary to cancel and dissolve the Reorganized Debtors.

2 7.18 **Further Orders.**

3 Upon motion by the Debtors and/or Reorganized Debtors, on not less than fifteen (15) days'  
4 notice to the Notice Parties or such shorter notice as the Court may order for cause, the Bankruptcy  
5 Court may enter such other and further orders as may be necessary or appropriate to facilitate  
6 consummation of the Plan.

7 7.19 **Post-Confirmation Employment of Personnel.**

8 The Reorganized Debtors and any Disbursing Agent may employ or contract with Persons to  
9 perform, or advise and assist in the performance of their respective obligations under the Plan. The  
10 Reorganized Debtors may continue to employ the Debtors' Professionals for the purposes for which  
11 they were employed before the Confirmation Date and for such additional purposes as the  
12 Responsible Person may request. The Reorganized Debtors, pursuant to the Notice Procedure, may  
13 also employ other professionals as necessary to perform their responsibilities under the Plan. The  
14 Creditors' Committee may continue to employ its Professionals approved by the Bankruptcy Court  
15 for their post-Confirmation services through the date the Creditors' Committee is dissolved.

16 7.20 **Post-Confirmation Compensation and Reimbursement of Professionals.**

17 All professionals employed by the Reorganized Debtors or the Creditors' Committee after  
18 the Confirmation Date shall be entitled to payment of their reasonable post-Confirmation Date fees  
19 and reimbursement of expenses on a monthly basis, subject to the following:

20 a. Each party requesting payment of such compensation shall serve a detailed statement  
21 of requested fees and expenses on the Notice Parties;

22 b. Any Notice Party or other party in interest may object to any portion of the requested  
23 fees and expenses. Any objection to the payment of fees or reimbursement of expenses shall be in  
24 writing (and sufficiently detailed to allow the party whose compensation is the subject of the  
25 objection an opportunity to respond, and ultimately to allow the Bankruptcy Court to rule on such  
26 objection) and served on the Notice Parties and the party whose compensation is the subject of the  
27 objection. Any such objection must be served within fifteen (15) days after service of the detailed  
28 statement;

1 c. If there is no objection to a party's requested fees and expenses within such fifteen  
2 (15) day period, the Reorganized Debtors shall promptly pay the requested amount in full. If an  
3 objection to a portion of the fees or expenses requested is timely served, the Reorganized Debtors  
4 shall promptly pay the undisputed portion of such fees and expenses;

5 d. To the extent that an objection is timely served, the Responsible Person shall reserve  
6 monies in the amount of the disputed fees and expenses pending resolution of said objection;

7 e. Any objection to a request shall be resolved by either: (a) written agreement between  
8 the party requesting such fees and expenses and the objecting party, or (b) resolution of the disputed  
9 amount by the Bankruptcy Court. Resolution by the Bankruptcy Court shall be requested by motion  
10 filed and served on the Notice Parties in accordance with the Bankruptcy Rules and the Local Rules  
11 on not less than twenty-one (21) days notice and such motion may be filed by either the requesting  
12 party or the objecting party. Any opposition to the motion shall be filed and served no later than  
13 seven (7) days prior to the hearing; and

14 f. Professionals shall not otherwise be required to file applications for Bankruptcy Court  
15 approval of post-Confirmation fees and expenses.

16 7.21 **Creditors' Committee.**

17 The Creditors' Committee will continue to serve and function following the Confirmation  
18 Date, with all of the duties, obligations, defenses and immunities provided under all applicable  
19 provisions of the Bankruptcy Code relating to committees in cases under chapter 11 of the  
20 Bankruptcy Code, including all of the rights and powers set forth in Sections 1102 and 1103 of the  
21 Bankruptcy Code, until the final Distribution to Creditors upon which the Creditors' Committee  
22 shall be dissolved. If any member of the Creditors' Committee resigns from the Creditors'  
23 Committee after the Effective Date, no new Person shall be appointed thereto; provided, however,  
24 that the remaining members of the Creditors' Committee may, in their discretion, appoint a Person to  
25 replace any member that has resigned.

26 7.22 **Post-Confirmation Notice.**

27 7.22.1 **Notice Generally.**

28 Except as otherwise provided by the Plan, to the extent any action taken in the Bankruptcy

1 Cases after the Effective Date requires notice under the Bankruptcy Code or the Bankruptcy Rules,  
2 the Order Limiting Notice entered in the Bankruptcy Cases shall continue in effect, and where  
3 applicable in accordance with the Plan, notice shall be required to the Notice Parties pursuant to the  
4 Notice Procedure; provided, however, that notice shall not be required to any Person whose Claim  
5 has been paid in full.

#### 6 **7.22.2 Notice Procedure.**

7 Whenever the Plan requires compliance with the Notice Procedure, the Person seeking the  
8 particular relief (the “Moving Party”) shall be required to serve a written notice on the Notice Parties  
9 (each, a “Notice Recipient”) of the proposed action. The Moving Party will be authorized to take  
10 any action proposed to be taken in such notice fifteen (15) days after service of such notice unless  
11 before the expiration of such fifteen (15)-day period a Notice Recipient has filed an objection to such  
12 proposed action with the Bankruptcy Court and scheduled a hearing on such objection within thirty  
13 (30) days after the filing of such objection and upon not less than twenty-one (21) days notice to all  
14 Notice Parties. If any such objection is filed, the Moving Party may not take the proposed action  
15 unless the Bankruptcy Court approves such action or the objecting party withdraws the objection.

#### 16 **7.23 Post-Confirmation Reports, Fees and Final Decree.**

##### 17 **7.23.1 U.S. Trustee Fees.**

18 Not later than thirty (30) days after the end of each calendar quarter that ends after the  
19 Effective Date (including any fraction thereof), the Reorganized Debtors shall pay to the United  
20 States Trustee the quarterly fee for such quarter until these Cases are converted, dismissed or closed  
21 pursuant to a Final Decree, as required by 28 U.S.C. § 1930(a)(6).

##### 22 **7.23.2 Post-Confirmation Reports.**

23 Not later than thirty (30) days after the end of each calendar quarter which ends after the  
24 Effective Date, the Reorganized Debtors shall file and serve upon the United States Trustee a  
25 quarterly post-Confirmation status report in substantially the form provided by the United States  
26 Trustee. Further reports shall be filed thirty (30) days after the end of every calendar quarter  
27 thereafter until entry of a Final Decree, unless otherwise ordered by the Bankruptcy Court.

28 ///

1                                   **7.23.3    Final Decree.**

2           After the Bankruptcy Estates are fully administered, the Reorganized Debtors shall file, and  
3 serve on the Notice Parties, an application for entry of the Final Decree.

4                                   7.24    **Proofs of Claim; Objections to Claims.**

5                                   **7.24.1    Time for Filing Proofs of Claim.**

6           Proofs of Claim, when required, must be filed with the Bankruptcy Court no later than the  
7 applicable Claims Bar Date (which for most pre-petition Claims is October 13, 2009 and for  
8 governmental units is December 6, 2009). Pursuant to the ORDER GRANTING EX PARTE MOTION FOR  
9 ORDER EXTENDING TIME TO FILE CERTAIN CLAIMS entered on November 6, 2009, the Claims Bar  
10 Date was extended to January 11, 2010 for certain pre-petition Claims which were amended in the  
11 Debtors' Schedules after the commencement of the Bankruptcy Cases.

12           However, Bankruptcy Rule 3001(b) provides that it is not necessary for a Creditor to file a  
13 Proof of Claim if its Claim has been listed in the Debtors' Schedules filed with the Bankruptcy Court  
14 pursuant to Section 521(a)(1) of the Bankruptcy Code and Rule 1007(a)(3) of the Bankruptcy Rules,  
15 and is not listed as disputed, contingent, unliquidated or unknown as to amount.

16           Equity Security Holders are not required to file any Proof of Interest because the Plan affords  
17 treatment to Equity Security Holders of record as of the Record Date. For purposes of any  
18 Distribution under the Plan, the Reorganized Debtors and their professionals, the Disbursing Agent,  
19 and the Responsible Person will have no obligation to recognize any transfer of Interests after the  
20 Record Date.

21                                   **7.24.2    Ownership and Transfers of Claims.**

22           The Reorganized Debtors and their professionals, the Disbursing Agent, if any, and the  
23 Responsible Person will be entitled to recognize and deal for all purposes with only those Creditors  
24 of record with the Bankruptcy Court as of the first Distribution Date. For purposes of any  
25 Distribution under the Plan, the Reorganized Debtors and their professionals, the Disbursing Agent,  
26 and the Responsible Person will have no obligation to recognize any transfer of Claims after the first  
27 Distribution Date.

28           The Reorganized Debtors and their professionals, the Disbursing Agent, and the Responsible

1 Person shall be entitled to recognize and deal for all purposes with only those Equity Security  
2 Holders of record as of the Record Date. For purposes of any Distribution under the Plan, the  
3 Reorganized Debtors and their professionals, the Disbursing Agent, and the Responsible Person will  
4 have no obligation to recognize any transfer of Interests after the Record Date.

5 **ANY PARTY WHO ACQUIRES A CLAIM AGAINST THE REORGANIZED**  
6 **DEBTORS AFTER THE FIRST DISTRIBUTION DATE MUST ARRANGE WITH THE**  
7 **HOLDER OF SUCH CLAIM TO RECEIVE DISTRIBUTIONS TO WHICH THE**  
8 **TRANSFeree MAY BE ENTITLED. NEITHER THE REORGANIZED DEBTORS NOR**  
9 **THE DISBURSING AGENT WILL BE REQUIRED TO TRACK CHANGES IN**  
10 **OWNERSHIP OF CLAIMS AFTER THE FIRST DISTRIBUTION DATE.**

11 **7.24.3 Amendments to Claims.**

12 Except as provided by the Plan or as otherwise permitted by the Bankruptcy Court, the  
13 Bankruptcy Rules or applicable law, Proofs of Claim: (a) may not be filed upon expiration of the  
14 applicable bar date; and (b) may not be amended later than thirty (30) days following the date of the  
15 notice of the Confirmation Date except for amendments to Proofs of Claim to decrease the amount  
16 or priority thereof; provided that the foregoing deadline shall not accord a Claim holder a right to  
17 amend a Claim that, pursuant to applicable law, is not subject to amendment.

18 **7.24.4 Time for Filing Objections.**

19 An objection to a Claim shall be filed no later than the Claims Objection Date which is the  
20 date two (2) years after the Effective Date; provided, however, that the Claims Objection Date may  
21 be extended by the Bankruptcy Court for cause upon the ex parte motion of the Reorganized  
22 Debtors. An objection to an Administrative Claim shall be filed no later than the Administrative  
23 Claims Objection Date which is the date ninety (90) days after the Effective Date.

24 **7.24.5 Who May File Objections to Claims**

25 Any party in interest may file an objection to a Claim or Administrative Claim. With the  
26 exceptions set forth in the immediately following paragraph, the Reorganized Debtors shall review  
27 all Proofs of Claim filed against the Debtors, shall file objections as appropriate, and shall resolve all  
28 Disputed Claims.

1 The Creditors' Committee shall have responsibility for review of the following Claims: (1)  
2 the Claim(s) asserted by the Banks; (2) all Proofs of Claim filed by the Debtors' current or former  
3 insiders, officers, directors and employees against the Debtors; and (3) all Claims asserted by  
4 Riverside Claims, LLC, a company to which certain Claims have been transferred in the Bankruptcy  
5 Cases. Upon evaluating these Claims, should the Creditors' Committee believe an objection is  
6 appropriate, the Creditors' Committee shall have the responsibility for filing and prosecuting such  
7 objection. The Reorganized Debtors shall cooperate fully in providing all information requested by  
8 the Committee with regard to any of the foregoing.

9 **7.25 Disputed Claims**

10 Subject to the next sentence, any cash that would be distributed to the holder of a Disputed  
11 Claim if it were an Allowed Claim on any Distribution Date hereunder shall be set aside by the  
12 Disbursing Agent into the Disputed Claims Reserve Account. Not later than fifteen (15) days after  
13 the Disbursing Agent has notice that a Disputed Claim has been Allowed in whole or in part, the  
14 Disbursing Agent shall Distribute the cash deposited into the Disputed Claims Reserve Account on  
15 account of such Disputed Claim. To the extent that cash payments made into the Disputed Claims  
16 Reserve Account on account of a Disputed Claim exceed the cash distributable with respect to the  
17 Allowed Amount of such Claim, such excess cash shall be considered Available Cash.

18 **7.26 Distributions.**

19 Notwithstanding any provision of the Plan specifying a date or time for payments or  
20 Distributions of consideration hereunder, payments and Distributions in respect of any Claim or  
21 Interest that at such date or time is disputed, unliquidated or contingent, shall not be made until a  
22 Final Order with respect to an objection, estimation or valuation of such Claim or Interest is entered  
23 by the Bankruptcy Court, whereupon appropriate Distributions shall be made promptly in  
24 accordance with the preceding Section.

25 **7.27 Executory Contracts and Unexpired Leases.**

26 **7.27.1 Treatment of Executory Contracts and Unexpired Leases.**

27 The Debtors reserve the right to move the Bankruptcy Court prior to Confirmation for  
28 authority to assume, assume and assign, or reject, pursuant to Bankruptcy Code Section 365, any and

1 all contracts that are executory and leases that are unexpired.

2 **7.27.2 Assumption of Executory Contracts and Unexpired Leases.**

3 Most executory contracts and unexpired leases have already been – or will be - addressed in  
4 the Bankruptcy Cases by: (a) the Debtors’ prior motion to assume and assign such contracts and  
5 leases to the Purchaser; (b) a motion by the Debtors prior to Confirmation, to assume or reject  
6 certain executory contracts or unexpired leases; or (c) the Debtors’ intended rejection of remaining  
7 executory contracts and leases pursuant to the Plan as set forth in Subsection 7.27.7 below.

8 **7.27.3 Effect of Assumption.**

9 All executory contracts and unexpired leases assumed prior to Confirmation or pursuant to  
10 the Plan, if any, and not otherwise rejected pursuant to the Plan shall remain in full force and effect,  
11 be unimpaired by the Plan except as specifically modified by the Plan and the Order of  
12 Confirmation, and be binding on the parties thereto.

13 **7.27.4 Adding and Removing.**

14 The provisions of this Section 7.27 may be amended, with appropriate notice to those parties  
15 in interest directly affected, at any time prior to the conclusion of the hearing on Confirmation of the  
16 Plan, to add or remove executory contracts and unexpired leases to be assumed, assumed and  
17 assigned, or rejected pursuant to the Plan.

18 **7.27.5 Defaults.**

19 Unless other treatment is agreed to between the parties to each assumed contract or lease, or  
20 unless otherwise set forth in the Purchase Agreement, if there has been a default in an assumed  
21 executory contract or unexpired lease other than the kind specified in Section 365(b)(2) of the  
22 Bankruptcy Code, the Debtors will, on or before the Effective Date: (a) cure, or provide adequate  
23 assurance that they will promptly cure, any such default; (b) compensate, or provide adequate  
24 assurance that they will promptly compensate, the other party to such contract or lease, for any  
25 actual pecuniary loss to such party resulting from such default; and (c) provide adequate assurance  
26 of future performance under such contract or lease.

27 **7.27.6 Assumption of Executory Contracts and Unexpired Leases.**

28 Upon the Effective Date, the Reorganized Debtors intend to assume those executory

1 contracts and unexpired leases listed on Exhibit “B” to the Plan. Such executory contracts to be  
2 assumed will include all of the Debtors’ insurance policies whether obtained before or after the  
3 Petition Date and whether or not listed on Exhibit “B” to the Plan.

#### 4 **7.27.7 Rejection of Executory Contracts and Unexpired Leases.**

5 Without admitting the validity of any other executory contracts and unexpired leases, all  
6 executory contracts and unexpired leases of the Debtors that are not: (a) assumed or rejected prior to  
7 Confirmation; (b) the subject of a pending motion to assume filed prior to Confirmation; or (c)  
8 assumed pursuant to the Plan, will be rejected by the Debtors as of the Effective Date. Such  
9 executory contracts and unexpired leases to be rejected will include, without limitation, those listed  
10 on Exhibit “C” attached to the Plan.

#### 11 **7.27.8 Rejection Claims.**

12 A “Rejection Claim” is a general Unsecured Claim arising from the Debtors’ rejection of an  
13 unexpired lease or executory contract pursuant to the Plan or pursuant to an order of the Bankruptcy  
14 Court. Rejection Claims are classified as Class 9 Claims (with the exception of any Rejection  
15 Claims whose holders elect treatment under Class 8). The holder of a Rejection Claim shall file with  
16 the Bankruptcy Court, and serve on counsel for the Reorganized Debtors, a Proof of Claim relative  
17 to such Rejection Claim on or before the Rejection Claims Bar Date or be forever barred from  
18 asserting any such Claim or receiving any payment or other Distribution on account of such Claim.  
19 The Rejection Claims Bar Date means, with the exception of any bar date which already has been  
20 established by Court order, the earlier of: (a) thirty (30) days following the Effective Date; or (b)  
21 with respect to an executory contract or unexpired lease rejected before the Confirmation Date  
22 pursuant to a Final Order, thirty (30) days following the entry of such Final Order.

### 23 **ARTICLE VIII.**

#### 24 **EFFECTS OF CONFIRMATION; RESERVATION OF RIGHTS**

##### 25 **8.1 Preservation of Claims and Rights.**

##### 26 **8.1.1 All Retained Claims Are Preserved.**

27 As set forth above, Retained Claims include, without limitation, (a) all claims against current  
28 or former insiders, officers, directors and employees of the Debtors; (b) all claims against Creditors

1 of the Debtors or counterparties to executory contracts or unexpired leases; (c) all claims against all  
2 Persons whose alleged liens attached to the proceeds of any of the Sales Transactions or other sale of  
3 assets; (d) all claims for indemnification or other damages related to the clean-up of the Scotts  
4 Valley Property; (e) Avoidance Actions; and (f) the Retained Claims specified below.

5 Confirmation of the Plan effects no settlement, compromise, waiver or release of any  
6 Retained Claim unless the Plan or Order of Confirmation specifically and unambiguously so  
7 provides. The failure of the Plan to refer to any particular Retained Claim is not and shall not be  
8 construed as a settlement, compromise, waiver, or release of any such Retained Claim. All Retained  
9 Claims are hereby preserved and shall continue to remain valid after the Effective Date.

#### 10 **8.1.2 Specific Retained Claims That Might Be Pursued.**

11 Without limiting the generality of the scope of the previous paragraph, the Debtors believe  
12 that the Retained Claims include the following:

13 **Alcatel Vacuum Technology France, S.A.S. (“Alcatel”)**: The Debtors are investigating  
14 potential Retained Claims against Alcatel. Previously, TTI filed a complaint against Alcatel alleging  
15 infringement of certain patents which were sold in the Purchase Transaction. TTI lost the decision at  
16 the lower court level and the court there ordered TTI to reimburse Alcatel for \$162,902 Euros. This  
17 amount is included in TTI’s Schedules as disputed. TTI appealed the decision, and such appeal was  
18 assumed by SPP in the Purchase Transaction. The Purchase Agreement contemplates that if SPP is  
19 successful in prosecuting this claim against Alcatel, the Debtors will either eliminate their liability, if  
20 any, to Alcatel or receive a payment pertaining to past royalties.

21 **Microcontrol Electronic Srl (“Microcontrol”)**: Microcontrol has outstanding payables due  
22 to the Debtors in an amount of approximately \$194,000. The Debtors are continuing discussions  
23 with Microcontrol to resolve this matter. In the event that the parties are unable to reach a  
24 resolution, the Debtors reserve the right to prosecute this Retained Claim against Microcontrol.

25 **Sciencetech Corporation (“Sciencetech”)**: Sciencetech is a company based in Taiwan which is  
26 indebted to the Debtors’ subsidiaries in the United Kingdom and in Taiwan in the amount of  
27 approximately \$342,000 and is in possession of the Debtors’ consigned inventory (which the  
28 Debtors value at approximately \$426,000). The Debtors’ subsidiary in Taiwan commenced an

1 action against Sciencetech in December 2009. The Debtors are continuing to investigate and consider  
2 their rights against Sciencetech in connection with the prosecution of this Retained Claim. In addition,  
3 Sciencetech has asserted an Unsecured Claim in the amount of \$1,115,702. The Debtors are  
4 continuing to investigate and evaluate Sciencetech's Claim and may file an objection thereto.

5 **AT Germany**: Also as discussed above, AT Germany's Insolvency Administrator filed a  
6 general unsecured Claim against the Debtors, and AT Germany is indebted to the Debtors for certain  
7 intercompany transfers. Accordingly, the Debtors believe that they may be able to offset this Claim,  
8 to the extent it is Allowed, against such debt. In the event that the parties are unable to reach a  
9 resolution on this matter, the Debtors reserve the right to prosecute this Retained Claim against AT  
10 Germany's estate.

11 **American Transportation Solutions, Inc. ("ATS")**: ATS and TTI entered into a certain  
12 STANDARD SUBLEASE dated July 19, 2006 (the "ATS Sublease"), for commercial real estate in  
13 Fountain Valley, CA. The ATS Sublease was personally guaranteed by James Anderson and Ingrid  
14 Anderson (collectively, the "Andersons"), two principals of ATS, pursuant to a certain GUARANTY  
15 OF LEASE dated July 19, 2006. In or around August 2008, ATS discontinued lease payments under  
16 the ATS Sublease, and in or around October 2008, ATS moved from the premises. The Debtors  
17 have not been able to contact ATS since that time. Excluding fees and other costs still to be  
18 determined, the Debtors believe that ATS owes TTI not less than \$60,000 for unpaid rent through  
19 the end of the ATS Sublease. The Debtors retain all claims against ATS and the Andersons (each  
20 being a Retained Claim under the Plan).

### 21 **8.1.3 Investigation and Prosecution of Retained Claims.**

22 The Debtors have been investigating potential Retained Claims, including those against the  
23 aforementioned parties. In the event that any Claims are asserted against the Debtors that current or  
24 former insiders, officers, directors and employees of the Debtors may be partially or fully  
25 responsible for, the Debtors and Reorganized Debtors reserve all rights to seek recovery against such  
26 current or former insiders, officers, directors and employees; provided, however, that prosecution of  
27 any such claims will be handled by the Creditors' Committee. Should the Responsible Person  
28 decide not to prosecute a particular Retained Claim, the Creditors' Committee may prosecute and

1 liquidate such matter on behalf of the Reorganized Debtors. The entry of the Order of Confirmation  
2 shall not constitute res judicata or otherwise bar, estop or inhibit any actions by the Reorganized  
3 Debtors relative to any Retained Claims.

#### 4 8.2 **Waiver of Terms of the Plan.**

5 After the Confirmation Date, except as otherwise specifically set forth in the Plan, any term  
6 of the Plan may be waived only by the party or parties entitled to the benefit of the term to be  
7 waived.

#### 8 8.3 **Modification of the Plan.**

9 The Debtors may propose amendments to or modifications of the Plan under Section 1127(a)  
10 of the Bankruptcy Code and Bankruptcy Rule 3019 at any time prior to the conclusion of the hearing  
11 on Confirmation of the Plan. After the Confirmation Date, the Reorganized Debtors may modify the  
12 Plan in accordance with Section 1127(b) of the Bankruptcy Code and Bankruptcy Rule 3019.

#### 13 8.4 **Retention of Jurisdiction.**

14 Article X of the Plan provides that the Bankruptcy Court shall have exclusive jurisdiction of  
15 the Bankruptcy Cases: (a) to enforce the provisions, purposes, and intent of the Plan, including  
16 matters or proceedings that relate to the Purchase Transaction; (b) to determine the allowance or  
17 disallowance of Claims and Interests; (c) to hear and determine proceedings initiated before or after  
18 the Confirmation Date and the Effective Date regarding the prosecution of the Retained Claims or  
19 any other rights, Claims, causes of action or claims for relief held by the Reorganized Debtors  
20 against any party, including the recovery of property and subordination of Claims and Interests; (d)  
21 to fix and approve allowance of compensation and other Administrative Claims, including, if  
22 appropriate, payments to be made in connection with the Plan; (e) to adjudicate controversies arising  
23 from the terms of the Plan; (f) to hear and determine any proposed modifications of or amendments  
24 to the Plan to the extent permitted by Section 1127 of the Bankruptcy Code and Bankruptcy Rule  
25 3019; (g) to enforce or interpret the provisions of the Plan, the Order of Confirmation or any order  
26 entered by the Bankruptcy Court in the Bankruptcy Case; (h) to facilitate the consummation of the  
27 Plan; (i) to consider such other matters as may be set forth in the Plan or the Order of Confirmation;  
28 (j) to hear and determine any Claim of any Persons of any nature whatsoever against the

1 Committee's Professionals and/or the Debtors' Professionals arising in or related to the Case; and (k)  
2 to enter a Final Decree closing the Bankruptcy Cases. If closed, the Bankruptcy Cases may be  
3 reopened at any time to facilitate the provisions of Article X of the Plan.

4 **8.5 Effect of Order of Confirmation.**

5 As of the Confirmation Date, the effect of the Order of Confirmation shall be as provided in  
6 Section 1141 of the Bankruptcy Code, and as follows:

7 **8.5.1 Binding Effect of Plan.**

8 The provisions of the confirmed Plan will bind the Debtors, the Reorganized Debtors, any  
9 entity acquiring property under or otherwise accepting the benefits of the Plan, and every Creditor  
10 and Equity Security Holder, whether or not such Creditor or Equity Security Holder has filed a Proof  
11 of Claim or Interest in the Bankruptcy Case, whether or not the Claim or Interest of such Creditor or  
12 Equity Security Holder is impaired under the Plan, and whether or not such Creditor or Equity  
13 Security Holder has accepted or rejected the Plan.

14 **8.5.2 Revesting.**

15 On the Effective Date, all property of the Debtors and the Bankruptcy Estates will vest in the  
16 Reorganized Debtors, free and clear of any and all liens, encumbrances, Claims and Interests of  
17 Creditors and Equity Security Holders except as otherwise provided in the Plan. Revesting does not  
18 modify the nature of any contracts assumed by the Debtors and/or Reorganized Debtors.

19 **ARTICLE IX.**

20 **RISK FACTORS**

21 Holders of Impaired Claims and Impaired Interests entitled to vote on the Plan should read  
22 and consider carefully the factors set forth below, as well as other information set forth in this  
23 Disclosure Statement and the documents delivered together herewith and/or incorporated by  
24 reference herein prior to voting to accept or reject the Plan.

25 **9.1 Claims in Excess of Estimates**

26 The Administrative Claims Bar Date and Rejection Claims Bar Date will occur after  
27 Confirmation and the Allowed amount of such Claims may increase the total liabilities of the  
28 Reorganized Debtors and therefore decrease the percentage Distribution to holders of Claims and

1 Interests. Additionally, if the Reorganized Debtors are unsuccessful in their objections to Disputed  
2 Claims and contingent Claims that are asserted against the Debtors, the total liabilities will be greater  
3 than estimated, thereby potentially reducing any ultimate Distribution to holders of Claims and  
4 Interests.

## 5 9.2 **Estimation of Claims and Distribution Risks**

6 In composing the Plan, the Debtors have endeavored to consider what they believe are  
7 reasonable possibilities for Distributions, if any, to be made to parties holding Allowed Claims. As  
8 set forth in Subsection 5.4.2, the Debtors estimate that Allowed general unsecured Claims in Class 9  
9 will approximate \$14.0 million. The Debtors' analysis of potential Distributions is set forth in  
10 Section 13.2 below. However, there can be no certainty that the Debtors' considerations will be  
11 accurate and that Creditors will receive Distributions described in the Plan. The Debtors'  
12 considerations will necessarily be affected by, among other things: (1) proceeds collected from the  
13 promissory notes received from the Purchase Transaction; (2) recoveries by the Reorganized Debtors  
14 in connection with the liquidation of all other assets, including assets returned from SPP pursuant to  
15 the Purchase Transaction; (3) recoveries by the Reorganized Debtors on the Retained Claims; (4) the  
16 outcome of objections to Claims; and (5) the cost and expenses of such actions.

17 Creditors in Class 8 may, as a result of their election to receive treatment under Class 8,  
18 ultimately receive less than they otherwise would if they did not so elect and were afforded treatment  
19 under Class 9. Conversely, Creditors in Class 9 who are eligible to receive treatment under Class 8  
20 but decline such election, may, as a result of their election to remain in Class 9, ultimately receive  
21 less and/or receive Distributions significantly later than they otherwise would if they were afforded  
22 treatment under Class 8.

23 In addition, Creditors holding Allowed Claims solely against TTI, to the extent there are any,  
24 may receive less as a result of the substantive consolidation of the Debtors pursuant to the Plan than  
25 they otherwise would if the Debtors were not substantively consolidated.

## 26 9.3 **Bankruptcy Risks**

27 Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in  
28 a particular class only if such claim or interest is substantially similar to the other claims or interests

1 of such class. The Debtors believe that the classification of Claims and Interests under the Plan  
2 complies with the requirements set forth in the Bankruptcy Code. However, there can be no  
3 assurance that the Bankruptcy Court would reach the same conclusion.

4 Even if all Classes of Claims and Interests that are entitled to vote accept the Plan, the Plan  
5 might not be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code sets forth  
6 the requirements for confirmation and requires, among other things, that the value of distributions to  
7 dissenting creditors and equity security holders not be less than the value of distributions such  
8 creditors and equity security holders would receive if the debtor were liquidated under chapter 7 of  
9 the Bankruptcy Code. The Debtors believe that the Plan satisfies all of the requirements for  
10 confirmation of a plan under Section 1129 of the Bankruptcy Code.

#### 11 9.4 **Subsidiary Closures**

12 The winding down and closing of the Debtors' direct and indirect subsidiaries may take  
13 longer and result in less recoveries, or no recovery, to the Debtors as a result of foreign jurisdiction  
14 requirements, or other factors or events impacting the business closures.

#### 15 9.5 **Value of Inventory**

16 The Debtors' assets include various product lines, equipment and inventory whose value may  
17 decline based on the uncertainty of the market environment. This may affect the Debtors' ability to  
18 liquidate any such assets and/or SPP's ability to sell any outstanding inventory as contemplated  
19 pursuant to the Purchase Agreement. The Debtors estimate that the value of such inventory could be  
20 between \$15 million to \$30 million.

#### 21 9.6 **Collection Risks**

22 The Debtors and/or SPP may experience increasing difficulty collecting remaining  
23 outstanding accounts receivable. As a result of certain factors, including, among other things,  
24 economic conditions and the impact of the Debtors' Bankruptcy Cases, obligors under the Debtors'  
25 accounts receivable may be unable or unwilling to pay the Debtors for products and services that  
26 they have provided and upon which the outstanding accounts receivable have been generated.

#### 27 9.7 **Purchase Transaction Risks**

28 The promissory notes included in the Purchase Transaction have an 18-month maturity term.

1 Recoveries are dependent on and subject to the extent of the collection of certain accounts receivable  
2 and sales of inventory. Therefore, the value realized from the promissory notes is uncertain at this  
3 time and could ultimately be less than estimated by the Debtors at this time.<sup>24</sup> As discussed in  
4 Subsection 7.8.2, the non-recourse promissory note will be payable upon the sale of inventory and  
5 collection of accounts receivable that are identified as part of the Purchased Assets. To the extent  
6 SPP returns any accounts receivable and unsold inventory to the Reorganized Debtors, the  
7 Reorganized Debtors will liquidate these assets, and the proceeds will be added to Available Cash to  
8 fund the Plan.

9 9.8 **Environmental Compliance and Remediation.**

10 As discussed above, the Scotts Valley Property is a Superfund site that has been in  
11 remediation for years. The Debtors believe that they will consummate all actions necessary to clear  
12 and close out the government permits on the property's facilities. The Debtors further believe that  
13 the Scotts Valley Property will receive required clearances and the removal of its designation as a  
14 Superfund site. However, if this does not occur, it may affect the Debtors' ability to sell the property  
15 and increase expenses to address related, ongoing issues.

16 ARTICLE X.

17 **CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

18 10.1 **Introduction.**

19 **THE FOLLOWING IS A SUMMARY OF CERTAIN UNITED STATES FEDERAL**  
20 **INCOME TAX CONSEQUENCES OF THE PLAN THAT MAY BE MATERIAL TO**  
21 **CREDITORS (EACH A "HOLDER" AS REFERRED TO IN THIS ARTICLE). THIS**  
22 **DISCUSSION IS INCLUDED FOR GENERAL INFORMATION PURPOSES ONLY AND IS**  
23 **NOT INTENDED TO BE, AND IS NOT, LEGAL OR TAX ADVICE TO ANY**  
24 **PARTICULAR HOLDER. THIS SUMMARY IS BASED ON THE CURRENT PROVISIONS**  
25 **OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE" AS**  
26 **REFERRED TO IN THIS ARTICLE), THE INCOME TAX REGULATIONS (THE**

27  
28 <sup>24</sup> As set forth above, one of the promissory notes, the recourse note, is guaranteed. Accordingly, the Debtors believe that collection on that note is probable.

1 **"REGULATIONS") AND OTHER LEGAL AUTHORITIES, ALL OF WHICH ARE**  
2 **SUBJECT TO CHANGE, POSSIBLY WITH RETROACTIVE EFFECT. NO RULINGS**  
3 **FROM THE INTERNAL REVENUE SERVICE (THE "IRS") OR OPINIONS OF**  
4 **COUNSEL HAVE BEEN OR WILL BE REQUESTED CONCERNING THE MATTERS**  
5 **DISCUSSED BELOW. THE TAX CONSEQUENCES SET FORTH IN THE FOLLOWING**  
6 **DISCUSSION ARE NOT BINDING ON THE IRS OR THE COURTS, AND NO**  
7 **ASSURANCE CAN BE GIVEN THAT CONTRARY POSITIONS WILL NOT BE**  
8 **SUCCESSFULLY ASSERTED BY THE IRS OR ADOPTED BY A COURT.**

9 **THIS SUMMARY DOES NOT ADDRESS STATE OR FEDERAL INCOME TAX**  
10 **CONSEQUENCES TO INTEREST HOLDERS.**

11 **THE FOLLOWING DISCUSSION DOES NOT APPLY TO CERTAIN HOLDERS**  
12 **WHO, DUE TO THEIR PARTICULAR CIRCUMSTANCES, MAY BE SUBJECT TO**  
13 **SPECIAL RULES. THOSE HOLDERS INCLUDE HOLDERS WHO ARE DEALERS IN**  
14 **SECURITIES, FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, TAX-EXEMPT**  
15 **ORGANIZATIONS, OR FOREIGN PERSONS.**

16 **10.2 IRS Circular 230.**

17 **TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230,**  
18 **HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX**  
19 **ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE**  
20 **RELIED UPON, AND CANNOT BE RELIED UPON BY HOLDERS FOR THE PURPOSE**  
21 **OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE**  
22 **INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY**  
23 **DEBTORS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN**  
24 **THE MEANING OF CIRCULAR 230) BY DEBTORS OF THE TRANSACTIONS OR**  
25 **MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED**  
26 **ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX**  
27 **ADVISOR.**

28 **EACH HOLDER SHOULD CONSULT THE HOLDER'S OWN TAX ADVISOR TO**

**DETERMINE THE HOLDER'S PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES AND OTHER TAX CONSEQUENCES TO THE HOLDER OF THE PLAN, INCLUDING ANY STATE, LOCAL AND FOREIGN TAX LAWS AND THE EFFECT OF ANY CHANGES IN SUCH LAWS.**

**10.3 Consequences to Debtors.**

In general, the Code provides that a debtor in a bankruptcy case is not taxable on cancellation of debt ("COD") income, but must release certain of its tax attributes (such as its net operating loss ("NOL") carryforwards and its tax basis in its assets) by the amount of COD income. COD income results when the amount of debt discharged exceeds the consideration given in exchange therefore, and is equal to such excess amount. Notwithstanding the absence of a bankruptcy discharge, it is likely that a cancellation of debt will be deemed to have occurred on the Effective Date. Any reduction in tax attributes does not occur, however until the end of the taxable year or, in the case of asset basis reduction, the first day of the taxable year following the taxable year in which the COD is incurred.

**10.4 Consequences to Creditors.**

Generally, any amount received by a Creditor in satisfaction of an Allowed Claim, to the extent such amount constitutes "gross income" within the meaning of Section 61 of the Code, will be taxable to the Creditor in accordance with the Creditor's method of accounting, if not previously included in the Creditor's gross income. This would include, for example, payments of interest, rent or compensation for services. If a Creditor previously reported as taxable income, their respective Allowed Claim then the unpaid portion of the previously reported taxable income would be deductible as a business bad debt. A Creditor may be subject to regular income tax withholding or backup withholding, as described below, with respect to such payments. Creditors should consult with their own tax advisors as to the character and timing of recognition of any gain, loss or deduction they are planning to include in their tax return.

Any amount received by a Creditor in satisfaction of accrued interest on a Claim will be taxable to the Creditor as interest income, if not previously included in the Creditor's gross income. A Creditor may be subject to backup withholding, as described below, with respect to such interest

1 payments.

2 Each Creditor who receives cash in partial or complete satisfaction of the Creditor's Claim  
3 will recognize gain or loss equal to the difference between the amount of cash received and the  
4 Creditor's tax basis in the Creditor's Claim. Gain may be recognized, for example, by a Creditor  
5 who acquired a Claim at a discount or who previously reported a bad debt deduction or worthless  
6 security loss with respect to all or a portion of the Claim. GENERALLY, ANY GAIN  
7 RECOGNIZED WILL BE CONSIDERED CAPITAL GAIN if the Claim is held as a capital asset,  
8 and GENERALLY will be ordinary income if the Claim is not held as a capital asset. Capital gain  
9 will generally be long-term capital gain if the Claim has been held for more than 12 months.

10 Creditors should consult with their own tax advisors as to the character and timing of recognition of  
11 ANY gain, loss or deduction THEY ARE PLANNING TO INCLUDE IN THEIR TAX RETURN.

12 Any loss will GENERALLY be a capital loss if the Claim is a capital asset and if the  
13 payment is deemed a "retirement" of the Claim within the meaning of Section 1271 of the Code. A  
14 Creditor who receives no payment with respect to a Claim (and a Creditor who receives a payment  
15 which is not a "retirement" and incurs a loss) should generally be able to claim a bad debt deduction  
16 to the extent of the Creditor's tax basis in the Claim (or, in the case of a Creditor receiving a  
17 payment, the excess of the tax basis in the Claim over the payment received). A Creditor who holds  
18 a Claim as a non-business bad debt and who is not a corporate Creditor will generally only be able to  
19 claim a short-term capital loss with respect to such Claim. A Creditor who holds a Claim which is a  
20 "security" as defined in Section 165(g) of the Code will generally only be able to claim a capital loss  
21 rather than a bad debt deduction. Limitations apply to the ability to deduct capital losses. Creditors  
22 should consult with their own tax advisors as to the character and timing of recognition of ANY  
23 gain, loss or deduction THEY ARE PLANNING TO INCLUDE IN THEIR TAX RETURN.

24 Because a loss is allowed only for the tax year in which it is sustained, a Creditor that claims  
25 a loss or deduction in the wrong tax year risks losing the benefit of such loss or deduction in its  
26 entirety. Creditors should consult with their own tax advisors as to the character and timing of  
27 recognition of ANY gain, loss or deduction THEY ARE PLANNING TO INCLUDE IN THEIR  
28 TAX RETURN.

1                   10.5    **Consequences to Holders of Equity Securities.**

2           Amounts received by stockholders in complete liquidation of ATI should be treated as  
3 payments made in exchange for their common stock. In general, each ATI stockholder should  
4 recognize gain or loss equal to the difference between the amount of consideration received by such  
5 ATI stockholder and the ATI stockholder's adjusted tax basis in its shares of ATI stock.

6           Gain or loss should be determined separately for each block of shares, with a "block"  
7 consisting of shares acquired at the same cost in a single transaction. Such gain or loss will be long-  
8 term capital gain or loss, provided the shares are held for investment and the stockholder's holding  
9 period for such shares is more than 12 months. Long-term capital gains are generally subject to a  
10 maximum federal income tax rate of 15% for non-corporate stockholders, and short-term capital  
11 gains are subject to tax at ordinary income tax rates. Capital losses not offset by capital gains may  
12 be deducted against a non-corporate stockholder's ordinary income only up to a maximum annual  
13 amount of \$3,000. A non-corporate stockholder may not carry back capital losses, but such losses  
14 may be carried forward to subsequent tax years. All net capital gains for a corporate stockholder are  
15 subject to tax at regular corporate tax rates. Although a corporate stockholder can generally deduct  
16 capital losses only to the extent of capital gains, any unused capital losses of a corporate stockholder  
17 may generally be carried back three years and forward five years.

18                   10.6    **Consequences to Option Holders and Warrant Holders.**

19           If an option holder or warrant holder acquired such option or warrant in an investment  
20 transaction and has a tax basis in such Holder's option or warrant, such Holder should be able to  
21 claim a capital loss with respect to the cancellation of the option or warrant subject to limitations  
22 applicable to the deduction of capital losses.

23                   10.7    **Wage Withholding.**

24           If any Allowed Claim under the Plan constitutes "wages" for U.S. federal income tax  
25 purposes, the U.S. federal income tax rules applicable to wage withholding will apply to the payment  
26 of the Allowed Claim.

27                   10.8    **Backup Withholding.**

28           U.S. federal income tax laws require that, to avoid backup withholding with respect to

"reportable payments" (currently at a rate of 28%), a Creditor or Holder must: (a) provide Debtors with its correct taxpayer identification number ("TIN") on IRS Form W-9 and certify as to their eligibility for exemption from backup withholding; or (b) establish a basis for exemption from backup withholding on an appropriate IRS Form W-8 (including a Form W-8BEN, W-8ECI, W-8EXP and W-8IMY) or IRS Form W-9, as applicable. Exempt Creditors and Holders (including, among others, all corporations and certain foreign individuals) are not subject to backup withholding and reporting requirements. If withholding is made and results in an overpayment of taxes, a refund may be obtained.

## ARTICLE XI.

## VOTING PROCEDURES AND REQUIREMENTS

### **11.1 Creditors and Interest Holders Entitled to Vote.**

Only impaired (as that term is defined in Section 1124 of the Bankruptcy Code) classes under the Plan are entitled to vote on the Plan.

### 11.2 Definition of Impairment.

Section 1124 of the Bankruptcy Code provides in part as follows:

... a class of claims or equity interests is impaired under a plan unless, with respect to each claim or equity interest of such class, the plan-

(1) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or interest; or

(2) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or interest to demand or receive accelerated payment of its claim or interest after the occurrence of a default;

(A) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in section 365(b)(2) of this title or of a kind that section 365(b)(2) expressly does not require to be cured;

(B) reinstates the maturity of such claim or interest as such maturity existed before such default;

(C) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or applicable law;

(D) if such claim or such interest arises from any failure to perform

1 a nonmonetary obligation, other than a default arising from failure to  
2 operate a nonresidential real property lease subject to section  
3 365(b)(1)(A), compensates the holder of such claim or such interest  
(other than the debtor or an insider) for any actual pecuniary loss  
incurred by such holder as a result of such failure; and

4 (E) does not otherwise alter the legal, equitable, or contractual  
5 rights to which such claim or interest entitles the holder of such claim  
or interest.

### 6 11.3 **Classes Impaired Under the Plan.**

7 Classes 1, 5, 6, 8, 9, 10 and 12 are impaired by the Plan and entitled to vote. No other classes  
8 are impaired under the Plan. Pursuant to Section 1126(f) of the Bankruptcy Code, a class that is not  
9 impaired under the Plan, and each holder of a Claim or Interest of such class, are conclusively  
10 presumed to have accepted the Plan, and solicitation of acceptances with respect to such class from  
11 the holders of Claims or Interests of such class is not required. Therefore, Creditors from Classes 2,  
12 3, 4 and 7, and holders of Interests in Class 11 do not need to return a Ballot.

### 13 11.4 **Vote Required for Class Acceptance.**

14 The Bankruptcy Code defines acceptance of a plan by a class of Creditors as acceptance by  
15 the holders of two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the claims  
16 of that class which actually cast ballots for acceptance or rejection of the Plan, i.e., acceptance takes  
17 place only if two-thirds (2/3) in amount and a majority in number of the Creditors voting cast their  
18 ballots in favor of acceptance.

19 The Bankruptcy Code defines acceptance of a plan by a class of Interests as acceptance by  
20 the holders of two-thirds (2/3) in amount of the Allowed Interests of that class which actually cast  
21 ballots for acceptance or rejection of the Plan, i.e., acceptance in a class of Interests takes place only  
22 if the holders of two-thirds (2/3) in the amount of the Allowed Interests in the class cast their ballots  
23 in favor of acceptance.

### 24 11.5 **Procedures.**

25 With the Plan and Disclosure Statement, Creditors and holders of Class 12 Interests will  
26 receive a Ballot and instructions for voting on the Plan. You should read the Ballot carefully and  
27 follow the instructions contained therein. Please use only the Ballot sent to you with this Disclosure  
28 Statement and the Plan. Creditors holding Timely Filed Unsecured Claims who wish to receive

1 treatment under Class 8 must indicate their election to be in Class 8 where indicated on the Ballot.

2 A Claim to which an objection has been filed is not an Allowed Claim unless and until the  
3 Bankruptcy Court rules on the objection. The Bankruptcy Court may temporarily allow a Disputed  
4 Claim to which an objection has been filed for purposes of voting on the Plan. Therefore, although  
5 holders of Disputed Claims to which an objection has been filed will receive Ballots, these votes will  
6 not be counted unless the Bankruptcy Court temporarily allows such Claims for purposes of voting  
7 on the Plan.

8 If a party in interest is a member of more than one class, it will receive a Ballot for each  
9 class. IF YOU ARE A MEMBER OF MORE THAN ONE CLASS, YOU MUST FILL OUT AND  
10 RETURN ALL BALLOTS SENT TO YOU FOR YOUR VOTE TO COUNT IN EACH CLASS.  
11 CREDITORS WISHING TO VOTE ON THE PLAN MUST COMPLETE THE BALLOT  
12 PROVIDED AND RETURN IT NO LATER THAN APRIL 1, 2010 TO:

13 Murray & Murray  
14 A Professional Corporation  
15 Attn: Thomas T. Hwang  
16 19400 Stevens Creek Boulevard, Suite 200  
17 Cupertino, California 95014-2548

18 IF YOUR BALLOT IS NOT RETURNED BY APRIL 1, 2010 (the “VOTING  
19 DEADLINE”), IT WILL NOT BE CONSIDERED. BALLOTS WHICH ARE RETURNED BUT  
20 NOT PROPERLY EXECUTED WILL NOT BE CONSIDERED. BALLOTS WHICH ARE  
21 EXECUTED BUT WHICH FAIL TO INDICATE EITHER ACCEPTANCE OR REJECTION OF  
22 THE PLAN WILL BE CONSIDERED AS ACCEPTING THE PLAN.

## 23 ARTICLE XII.

### 24 CONFIRMATION PROCEDURES; OBJECTIONS TO CONFIRMATION

25 Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

#### 26 12.1 Confirmation Hearing.

27 Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold  
28 a hearing on confirmation (approval) of the Plan (the “Confirmation Hearing”). The Confirmation  
Hearing may be postponed from time to time by the Bankruptcy Court without further notice except  
for an announcement made at the Confirmation Hearing or any postponement thereof. Section

1 1128(b) provides that any party in interest may object to confirmation of the Plan. Any objection to  
2 Confirmation must be made in writing and filed with the Bankruptcy Court and served on the  
3 following parties, together with a certificate of service, no later than April 1, 2010:

4 Doris A. Kaelin  
5 MURRAY & MURRAY  
6 A Professional Corporation  
7 19400 Stevens Creek Boulevard, Suite 200  
8 Cupertino, CA 95014-2548  
9 Telephone: (650) 852-9000 and (408) 907-9200  
10 Facsimile: (650) 852-9244  
11 Email: dkaelin@murraylaw.com

12 and

13 Robert G. Harris, Esq.  
14 BINDER & MALTER LLP  
15 2775 Park Avenue  
16 Santa Clara, CA 95050  
17 Telephone: (408) 295-1700  
18 Facsimile: (408) 295-1531  
19 Email: rob@bindermalter.com

20 and

21 Frederick D. Holden, Jr.  
22 ORRICK, HERRINGTON & SUTCLIFFE LLP  
23 The Orrick Building  
24 405 Howard Street  
25 San Francisco, CA 94105  
26 Telephone: (415) 773-5985  
27 Facsimile: (415) 773-5759  
28 Email: fholden@orrick.com

and

Office of the United States Trustee  
United States Department of Justice  
Attn.: Nanette Dumas  
280 S. First Street, Suite 268  
San Jose, CA 95113-0002  
Telephone: (408) 535-5525  
Facsimile: (408) 535-5532  
Email: nanette.dumas@usdoj.gov

Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014.

1                   12.2    **Requirements for Confirmation of the Plan.**

2           At the Confirmation Hearing, the Bankruptcy Court must confirm the Plan if it determines  
3 that all of the requirements of Section 1129 of the Bankruptcy Code have been satisfied. Applicable  
4 requirements are as follows:

- 5           (1)    The Plan complies with the applicable provisions of the Bankruptcy Code;
- 6           (2)    The Debtors have complied with the applicable provisions of the Bankruptcy Code;
- 7           (3)    The Plan has been proposed in good faith and not by any means forbidden by law;
- 8           (4)    Any payment made or to be made by the Debtors, or by a person issuing securities or  
9 acquiring property under the Plan, for services or for costs and expenses in or in  
10 connection with the Case, or in connection with the Plan and incident to the Case, has  
11 been approved by, or is subject to the approval of, the Court as reasonable;
- 12          (5)    The Debtors have disclosed the identity and affiliations of any individual proposed to  
13 serve, after confirmation of the Plan, as a director, officer, or voting trustee of the  
14 Debtors, an affiliate of the Debtors participating in a joint plan with the Debtors, or a  
15 successor to the Debtors under the Plan; and the appointment to, or continuance in,  
16 such office of such individual, is consistent with the interests of holders of Claims  
17 and Interests and with public policy; and the Debtors have disclosed the identity of  
18 any insider that will be employed or retained by the Reorganized Debtors, and the  
19 nature of any compensation for such insider;
- 20          (6)    With respect to each class of impaired Claims or Interests, each holder of a Claim or  
21 Interest of such class either (a) has accepted the Plan, or (b) will receive or retain  
22 under the Plan on account of such Claim or Interest property of a value, as of the  
23 Effective Date of the Plan, that is not less than the amount that such holder would so  
24 receive or retain if the Debtors were liquidated on such date under chapter 7 of the  
25 Bankruptcy Code;
- 26          (7)    Subject to the “cramdown” provisions of the Bankruptcy Code discussed in Section  
27 12.4 below, each class of Claims or Interest has accepted the Plan;
- 28          (8)    Except to the extent that the holder of a particular Claim has agreed to a different

1 treatment of such Claim, the Plan provides that incurred, Allowed Administrative  
2 Claims will be paid in full on the Effective Date of the Plan and that Allowed Tax  
3 Claims will be paid in full over a period not longer than five (5) years from the  
4 Petition Date;

5 (9) If a class of Claims is impaired under the Plan, at least one class of impaired Claims  
6 has accepted the Plan, determined without including any acceptance of the Plan by  
7 any insider holding a Claim of such Class;

8 (10) Confirmation of the Plan is not likely to be followed by the liquidation, or the need  
9 for further financial reorganization, of the Debtors or any successor to the Debtors  
10 under the Plan, unless such liquidation or reorganization is proposed in the Plan;

11 (11) All fees payable under section 1930 of title 28, as determined by the Court at the  
12 hearing on confirmation of the Plan, have been paid or the Plan provides for the  
13 payment of all such fees on the Effective Date of the Plan; and

14 (12) All transfers of property of the Plan are to be made in accordance with any applicable  
15 provisions of nonbankruptcy law that govern the transfer of property by a corporation  
16 or trust that is not a moneyed, business, or commercial corporation or trust.

17 12.3 **Compliance with Confirmation Requirements.**

18 The Debtors believe that all of the foregoing requirements have been or will be met prior to  
19 the Confirmation Hearing. Specifically, they believe: (1) the Plan is in the best interests of  
20 Creditors, in that holders of all Allowed Claims will receive payments under the Plan having a  
21 present value as of the Effective Date of the Plan in amounts not less than the amounts likely to be  
22 received if the Debtors were liquidated in a case under chapter 7 of the Bankruptcy Code; and (2) the  
23 Plan will be accepted by sufficient votes in each impaired class or may be confirmed under the  
24 cramdown standards of Section 1129(b) even if sufficient votes are not received.

25 12.4 **Cramdown.**

26 In the event that any impaired class of Claims or Interests does not accept the Plan, the  
27 Bankruptcy Court may still confirm the Plan at the request of the proponents if, as to each impaired  
28 class which has not accepted the Plan, the Plan “does not discriminate unfairly” and is “fair and

1 equitable.” A plan of reorganization “does not discriminate unfairly” against a class if the plan  
2 allocates value to that class in a manner consistent with the treatment afforded to other classes with  
3 similar legal claims against the Debtors. “Fair and equitable” has different meanings for the holders  
4 of secured and unsecured claims, and for holders of interests.

5 With respect to a secured claim, “fair and equitable” means either: (a) the impaired secured  
6 creditor retains its liens to the extent of its allowed claim and receives deferred cash payments at  
7 least equal to the allowed amount of its claim with a present value as of the effective date of the plan  
8 at least equal to the value of such creditor’s interest in the property securing its liens; (b) property  
9 subject to the lien of the impaired secured creditor is sold free and clear of that lien, with that lien  
10 attaching to the proceeds of the sale, and such lien proceeds are treated in accordance with clauses  
11 (a) or (c) hereof; or (c) the impaired secured creditor realizes the “indubitable equivalent” of its  
12 claim under the plan.

13 With respect to an unsecured claim, “fair and equitable” means either: (a) each impaired  
14 unsecured creditor receives or retains property of a value equal to the amount of its allowed claim; or  
15 (b) the holders of claims and interests that are junior to the claims of the dissenting class will not  
16 receive any property under the plan.

17 With respect to a class of interests, “fair and equitable” means either: (a) the plan provides  
18 that each holder of an interest of such class receive or retain on account of such interest property of a  
19 value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed  
20 liquidation preference to which such holder is entitled, any fixed redemption price to which such  
21 holder is entitled, or the value of such interest; or (b) the holder of any interest that is junior to the  
22 interests of such Class will not receive or retain any property under the plan on account of such  
23 junior interest.

24 In the event that one or more classes of impaired Claims or Interests rejects the Plan, the  
25 Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable  
26 and does not discriminate unfairly against any rejecting impaired class of Claims or Interests.

27 ///

28 ///

1 ARTICLE XIII.

2 BEST INTERESTS TEST

3 The Bankruptcy Court must independently determine that the Plan is in the best interest of all  
4 classes of Creditors and Interests. The “best interest” test requires that a plan provide to each  
5 dissenting member of each impaired Class a recovery that has a present value at least equal to the  
6 present value of the distribution which each such Creditor or Interest holder would receive if the  
7 Debtors were liquidated under chapter 7 of the Bankruptcy Code.

8 13.1 Liquidation Under Chapter 7

9 In performing this analysis, the Bankruptcy Court must determine the amount that would be  
10 generated from a chapter 7 liquidation of the Debtors’ assets after deducting the cost of liquidation.  
11 The cost of liquidation would include the Trustee’s commissions, the Trustee’s expenses, fees for  
12 counsel and other professionals retained by the Trustee, and Administrative Claims. In addition to  
13 liquidating the Debtors’ assets, the Trustee must also decide whether to litigate certain claims and  
14 possibly other litigation matters. Generally, no distribution is made in a chapter 7 case until all  
15 assets of the Bankruptcy Estates and all claims have been liquidated, a process that often can take  
16 many months and sometimes years. This delay could further impair the value of any distribution  
17 made to holders of Claims under a chapter 7 liquidation. As detailed below, in these Cases, due to  
18 the complexity of the Purchase Transaction and the Debtors’ products, operations and corporate  
19 structure, the delay and expense required by a trustee in a chapter 7 liquidation is estimated to be  
20 substantial.

21 Furthermore, should these Cases be converted to Chapter 7, absent substantive consolidation  
22 as proposed by the Plan, arguably three separate Chapter 7 Trustees would be appointed to  
23 administer the separate Estates, resulting in substantial administrative expenses. Were a Chapter 7  
24 Trustee to determine that substantive consolidation is appropriate, there are certain procedures that  
25 the Chapter 7 Trustee would have to follow in order to obtain the same results achieved by the Plan.  
26 At a minimum, a Chapter 7 Trustee would have to file and serve a motion upon all interested parties.  
27 Should that motion be contested, if, for example, one of the appointed trustees disagreed with the  
28 appropriateness of substantive consolidation, the Chapter 7 Estates would bear the costs of litigating

1 the motion and negotiating with parties before consolidation could be affected.

2 On the other hand, barring unforeseen Claims, Confirmation of the Plan will enable the  
3 Reorganized Debtors to collect and distribute all liquidation proceeds which the Debtors believe will  
4 result in the highest and best recovery for Creditors and Equity Security Holders. By proceeding to  
5 liquidate the remaining assets and distribute the Reorganized Debtors' cash proceeds in accordance  
6 with the Plan, the Debtors believe that the liquidation proceeds can be distributed sooner and at a  
7 lesser expense. The Purchase Transaction, and the Debtors' products, operations and corporate  
8 structure are multifaceted and complex. They require attention to matters by management familiar  
9 with the Debtors in order to maximize the Estates and the potential return to creditors. Examples of  
10 such matters include, without limitation:

- 11 • Management of post-Sale activities, report on SPP's collection of accounts  
12 receivables, and overview and audit the usage of inventory;
- 13 • Review and settlement of all international liabilities and commitments to effect an  
14 orderly and cost effective liquidation of each subsidiary. Direction of international  
15 professionals to minimize potential taxes on the upstreaming of cash to the Debtors;
- 16 • Settlement of VAT tax accounts to ensure a maximum refund;
- 17 • Settlement of the dilapidation costs relating to two subsidiary buildings in Nailsea,  
18 England;
- 19 • Management of cash assets on global scale to ensure proper flow and control of cash  
20 between entities during the wind down period;
- 21 • Solicitation of offers for and the sale of the Debtors' system product lines relating to  
22 their atomic layer deposition technology;
- 23 • Solicitation of offers for and the sale of Obsolete Inventory worldwide;
- 24 • Solicitation of offers for and the sale of the Scotts Valley Property; and
- 25 • Liquidation of remaining fixed assets at the Scotts Valley Property facilities.

26 Therefore, only through management knowledgeable with the Debtors' products and  
27 operations, will the Debtors be able to proficiently wind down their affairs and maximize the value  
28 of their assets in the most cost-effective manner.

1 The net proceeds of the Reorganized Debtors' assets will be distributed in accordance with  
2 the priority scheme set forth in the Bankruptcy Code. Any assets not liquidated prior to  
3 confirmation of the Plan will be liquidated by the Reorganized Debtors, acting through the  
4 Responsible Person. Therefore, the Debtors believe that the liquidation under the Plan will achieve  
5 at least the same results as would occur in the conversion of the Cases to chapter 7. The result can  
6 be achieved without the duplication and incurrence of substantial administrative costs that would  
7 result from the appointment of a chapter 7 Trustee and the employment of additional professional  
8 persons, and the delay attendant with the administration of the assets in chapter 7.

9 The remaining assets of the Debtors include various product lines, equipment and inventory  
10 which pertain to the highly-technical products developed by the Debtors. Consequently, as detailed  
11 above, the Debtors are in the best position to market and sell such assets for the benefit of the  
12 Estates. Similarly, while the collection of receivables, sale of inventory and wind down of the  
13 Debtors' subsidiary companies may take over 24 months, only the Debtors possess the knowledge  
14 required to conclude these matters in the most cost-efficient manner.

15 Those Creditors who are impaired under the Plan, therefore, are receiving, at a minimum, the  
16 equivalent of what they would receive if the liquidation was accomplished in chapter 7 cases. The  
17 Debtors believe that the Creditors will fare much better should the liquidation be achieved in chapter  
18 11 under the Plan.

### 19 13.2 **Liquidation Analysis**

20 The Debtors estimate that the ultimate Distribution to Creditors in Class 9 will range from  
21 10% to 69% on each Allowed Claim. Because of the abundance of unknown variables and  
22 contingencies which remain in the Cases (including, for example, collections on the promissory  
23 notes which mature in April 2011, the closure of international subsidiaries, and the return of and  
24 liquidation of assets, all as discussed herein), which are largely dependent on factors not within the  
25 Debtors' control, and which may not be resolved for three years or even more, this estimate  
26 represents only the Debtors' good faith approximation based on current information. It also is  
27 founded on numerous assumptions including, among other things, the following:

- 28 a. Collection on the promissory notes in the amount of between \$20 million to \$25

1 million;

2 b. The net proceeds from the liquidation of remaining assets total between \$8.2 million  
3 to \$9.3 million;

4 c. Expenses for administration of the Estates which includes, without limitation: (1)  
5 clean-up of the Scotts Valley Property, (2) winding down of subsidiaries, (3) compensation to  
6 employees, and (4) payment of miscellaneous expenses, fall within a range of \$3.2 million to \$4.4  
7 million;

8 d. Administrative Claims and post-Confirmation fees and expenses, which include  
9 professional fees and expenses, total between \$3.2 million to \$3.5 million;

10 e. Allowed Tax Claims total between \$35,000 and \$190,000;

11 f. Allowed Secured Claims total between \$18.0 million and \$18.4 million

12 g. Allowed employee Priority Claims total \$120,000;

13 h. Allowed Administrative Convenience Claims total \$27,000; and

14 i. Allowed general unsecured Claims in Class 9 total between \$14.0 million and \$15.0  
15 million.

16 These are estimates only, and the actual numbers underlying the above assumptions may be  
17 higher or lower and could be considerably higher or lower, and therefore, the ultimate Distribution  
18 could fall significantly outside of the estimated range. The Debtors have not concluded their review  
19 of Claims and anticipate that many objections to Disputed Claims will be filed, the outcomes of  
20 which will affect the amounts available for Distribution. Moreover, as discussed above and set forth  
21 in Article IX, there are numerous other contingencies that will ultimately affect the outcome of these  
22 Cases.

## 23 ARTICLE XIV.

### 24 FEASIBILITY

25 The Bankruptcy Court must find that Confirmation of the Plan is not likely to be followed by  
26 the liquidation or the need for further financial reorganization of the Debtors or the Reorganized  
27 Debtors unless such liquidation or reorganization is contemplated by the Plan itself. The Plan  
28 contemplates the final liquidation and Distribution of the Debtors' assets, and the liquidation

1 proceeds will be expended to execute the liquidation and Distribution process described in the Plan.

2 ARTICLE XV.

3 POST-CONFIRMATION MANAGEMENT

4 The Reorganized Debtors will be managed by the Responsible Person. As discussed at  
5 Section 6.10 of the Plan, Patrick C. O'Connor will be the Responsible Person of the Reorganized  
6 Debtors. Mr. O'Connor was the Chief Financial Officer of Aviza from September 2003 through  
7 December 2005, and the Chief Financial Officer of ATI from December 2005 to October 2009.  
8 Presently, in addition to being the Court-appointed Responsible Person for the Debtors, Mr.  
9 O'Connor is the Chief Executive Officer and Chief Restructuring Officer and has held that position  
10 since October 2009. As set forth at Section 7.11, Mr. O'Connor will be compensated at the same  
11 salaried rate as is his pre-petition salaried rate although actual compensation will be pro-rated for the  
12 amount of time actually worked by Mr. O'Connor.

13 ARTICLE XVI.

14 PLAN INTERPRETATION

15 The headings contained in the Plan are for convenience of reference only and do not limit or  
16 otherwise affect in any way the meaning or interpretation of the Plan. All references in the Plan to  
17 the singular are to be construed to include references to the plural and vice versa. All references in  
18 the Plan to any one of the masculine, feminine or neuter genders will include references to both other  
19 such genders. All Exhibits attached hereto are, by this reference, hereby incorporated herein and  
20 into the Plan. All references in the Plan to a Section or an Article means the appropriately numbered  
21 Section or Article of the Plan. Whenever the Plan uses the term "including," such reference means  
22 "including, but not limited to."

23 March 2, 2010

**ATI LIQUIDATING, INC.**  
**A DELAWARE CORPORATION**

25 By: /s/ Patrick C. O'Connor  
26 Patrick C. O'Connor  
27 Chief Executive Officer

28 //

1 March 2, 2010

**AI LIQUIDATING, INC.**  
**A DELAWARE CORPORATION**

2  
3 By: /s/ Patrick C. O'Connor  
4 Patrick C. O'Connor  
Chief Executive Officer

5 March 2, 2010

**TTI LIQUIDATING, INC.**  
**A DELAWARE CORPORATION**

6  
7 By: /s/ Patrick C. O'Connor  
8 Patrick C. O'Connor  
9 Chief Executive Officer

10 **MURRAY & MURRAY**  
11 A Professional Corporation

12 By: /s/ John Walshe Murray  
13 John Walshe Murray  
Attorneys for Debtors